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Kremlin breaks with the past, Page 16

World news | Business summary

Politburo turns to a new generation after Soviet President dies

Gorbachev succeeds Chernenko

BY PATRICK COCKBURN IN MOSCOW

LEADERSHIP OF the Soviet Union passed swiftly to a new generation yesterday when Mr Mikhail Gorbachev, at 54 the youngest member of the Politburo, was chosen to succeed Mr Konstantin Chernenko as General Secretary of the Soviet Communist Party.

The succession was settled with unexpected rapidity within a few hours of the announcement of Mr Chernenko's death. This had been long expected after the 73-year-old President disappeared from public view at the end of last year. The *official medical report said* that he had died of heart failure on Sunday night, following deterioration of his lungs and liver.

The funeral of President Chernenko is to take place tomorrow in Red Square in Moscow and until then he will lie in state in the Hall of Columns nearby.

The speed of Mr Gorbachev's election by the 10-member Politburo has caused some surprise and *immediately ended speculation that* his position as heir apparent was not secure.

In a rapid signal of "business as usual," Soviet officials confirmed within half an hour of the *announcement of Mr Chernenko's* death that today's arms reduction negotiations with the U.S. would begin as scheduled in Geneva.

Although U.S. diplomats had expected a Soviet request for a delay, a senior Soviet official told a preparatory meeting in Geneva yesterday *morning that first superpower* negotiations in 15 months should go ahead "as planned."

This was seen by Western officials as both underlining the priority Moscow attaches to the talks and *demonstrating continuity on* a major issue of foreign policy despite the change of leadership.

Mr Gorbachev is much younger than the rest of the Politburo and the 300-member *Central Committee* which *together rule* the Soviet Union. This means that he should have the time to carry out radical changes in policy and personnel to which Mr Yuri Andropov, the Soviet leader who originally promoted him, was committed.

In his address to the Central Committee yesterday, immediately after his election, Mr Gorbachev underlined his interest in economic reform. He said that the Soviet Union *was at a decisive moment in* producing qualitative improvements in its economy.

He also said that he was committed to peaceful coexistence and an agreement on disarmament in Geneva on an "honest and equitable basis without attempts at outplaying the other side and dictating terms to it."

The new Soviet leader was born in Stavropol in the south of the Soviet Union in 1931 and was too young to experience the purges. He graduated from Moscow University as a lawyer in 1955 but made his mark as a party leader and agricul*tural specialist* in the area in which he was born.

Mr Gorbachev was suddenly promoted as agricultural specialist to the Central Committee in 1978. Since then, his rise has been extremely rapid, assisted by his capacity, good luck and a lack of senior Soviet politicans of his age group because of the longevity of the present leadership.

The news of Mr Chernenko's death spread rapidly through Moscow yesterday as television and radio played classical music and Soviet leaders returned home from abroad.

● Soviet officials in Geneva insisted that arms reduction talks with the U.S. should begin today as planned.

● Leaders attending Mr Chernenko's funeral tomorrow will include Vice-President George Bush of the U.S., Mrs Margaret Thatcher, the UK Prime Minister, Chancellor *Helmut* Kohl of West Germany, President François Mitterrand of France and President Sandro Pertini of Italy.

● President Ronald Reagan said he was looking forward to meeting Mr Gorbachev some time, to see "if somehow we can't have a meeting of the minds."

● In his first public statement as Soviet leader, Mr Gorbachev said he wanted "an end to the arms race, not its continuation."

● In their condolences, many world leaders credited Mr Chernenko with the resumption of arms negotiations and the revival of the East-West dialogue.

● Chancellor Kohl warned against expecting dramatic changes in Soviet policy, which is "always influenced by the whole team."

The official announcement came at 2pm Moscow time but already *police had cordoned* off the Hall of Columns where Mr Chernenko is lying in state. Soon afterwards, Mr Gorbachev was announced as head of the funeral commission – normally the sign of a new leader and this was confirmed rapidly by the Soviet news agency, Tass.

There was no tension around the Kremlin, with many tourists still walking in and out of the fortress. Public buildings were rapidly draped in crimson flags with black edging and a lorry arrived outside the Hall of Columns to deliver a vast portrait of the late leader.

President Chernenko's impact on the Soviet Union was limited by his *poor health in the 13 months in* which he held office. His authority was, in any case circumscribed by Mr Gorbachev as heir apparent, and senior Soviet leaders such as Mr Andrei Gromyko, the Foreign Minister, and Marshal Dmitri Ustinov, the late Defence Minister.

In their tributes to Mr Chernenko, foreign leaders stressed his achievement in bringing the Soviet Union back into a dialogue with the U.S. *They made clear their hopes* that the arms reduction talks beginning in Geneva today would bring success in reducing world tensions and looked to Mr Gorbachev to steer Soviet policy in this direction.

Mr Yasuhiro Nakasone, the Japanese Prime Minister, said that he hoped that Mr Gorbachev would "endeavour to achieve this great task for disarmament and world peace as soon as possible."

President Ronald Reagan said he was anxious to meet the new Soviet leader but added that he believed that nothing could be achieved by his going to Moscow for Mr Chernenko's funeral.

Mr Reagan, explaining why the U.S. party would be lead by Mr Bush, said "As *of four o'clock* this morning I started thinking about it, but there is an awful lot on my plate right now that would have to be set aside... I did not see anything could be achieved."

The U.S. President said that he was anxious to meet *Mr Gorbachev* but did not signal any change in his position that any summit would have to be well prepared and likely to produce results.

Mr Reagan said that he wanted *the Soviet leadership and people to* know that "we will deal with Chairman Chernenko's successor with an open mind and will continoe our efforts to improve relations between our two nations and settle our differences fairly, and particularly to lower the levels of nuclear arms."

Obituary; world reaction, Page 2; Editorial comment; Feature, Page 16

Italy adds $895m to famine relief

Italy stunned the United Nations conference on the famine in Africa by announcing a L1,900bn ($895m) new facility for aid to countries "stricken by emergency needs" throughout the world.

The pledge, delivered by Sig Francesco Forte, Italy's Minister for European Affairs, comes on top of Italy's unexpectedly large contri*bution* to a new fund for long-term developments in Africa launched by the World Bank last month.

The new money will be spent over the next 18 months and most of it is likely to go to Africa. **Page 18**

Gulf war agreement

Iran said it would accept a United Nations call to stop attacks on civilian Gulf war targets and Iraq expressed *readiness to halt the raids.* **Page 4**

Portugal blasts

The FP-25 left-wing urban guerrilla group claimed responsibility for seven bomb blasts directed at foreign economic interests in Lisbon and farming town of Evora, Portugal. No one was hurt.

Sikhs released

India has released leaders of the Akali Dal, the Sikhs' main political party, from nine months' detention. **Page 4**

China repels attacks

China said it had repulsed more than 20 Vietnamese attacks supported by heavy artillery barrages in the past three *days.*

Airport clash

Seven police were hurt and four protesters temporarily held after 500 demonstrators fought police near Frankfurt airport's controversial new runway.

Nyerere visit

Tanzanian President Julius Nyerere arrived in Amsterdam for a four-day visit which will include talks with Dutch Government leaders.

School boycott

About 20,000 pupils boycotted 39 schools in South Africa after a weekend of riots in which six black people died and at least 79 were arrested.

Africa aid 'bar'

South African said it had been prevented for political reasons from attending a United Nations conference on emergency aid to African countries suffering from drought.

Chinese crackdown

At least 104 policemen have been killed in the past 18 months during China's crackdown on violent crime and corruption.

Oil warning

Ali Jaidah, former Secretary-General of the Organisation of Petroleum Exporting Countries, said world oil prices might collapse unless producers outside the group agreed to reduce output.

Tax fighter freed

Mögens Glistrup, Danish anti-tax campaigner and founder of the right-wing Progress Party, was freed from jail after serving half his sentence for tax fraud.

Banker charged

Paul Schulte, former head of Hammer Bank of West Germany, which was rescued in a big bail-out in January, has been charged with fraud, forgery and breach of trust.

Pit stop

An Italian ecology group asked a magistrate to ban the inaugural Rome Grand Prix motor race, claiming that the event would endanger the environment and residents' health.

Euronote launches soar to $1.22bn

EUROBOND floating rate issues market broke out of the doldrums as six issues raised a total of $1.22bn. Improved *market conditions*, including falls in London interbank rates triggered renewed interest. **Page 40**

WALL STREET: At the close the Dow Jones industrial average was *down* 1.1 at 1,268.55. ***Section III***

TOKYO stock market closed lower. The Nikkei-Dow market average was down 83.68 at 12,263.85. **Section III**

LONDON gilts remained *popular*. The FT Ordinary index closed up 1.1 at 989.2. **Section III**

DOLLAR fell in London to DM 3.3385 (DM 3.4125); FFr 10.2050 (FFr 10.37); SwFr 2.8470 (SwFr 2.90) and Y259.15 (Y261.60). On Bank of England figures the dollar's exchange rate index fell to 153.8 from 155.4.

STERLING rose 2.25 cents in London to close at $1.089. *It* rose to DM 3.6375 (DM 3.6275); FFr 11.1475 (FFr 11.06); SwFr 3.1025 (SwFr 3.08) and Y282.25 (Y278.75). The pound's exchange rate index rose to 71.6 from 71.2.

GOLD fell $0.50 on the London bul*lion* market *to close* at $290.75. It also fell in Zurich to $291.00 from $291.50. In New York the April Comex settlement was $290.10.

MEXICO set March 29 as the date for signing its $49bn rescheduling pact with commercial bank creditors. **Page 4**

TAIWAN economic affairs minister Mr Hsu Li-Teh resigned in the wake of the country's largest financial scandal, in which the government was forced to take over two threatened institutions. **Page 19**

CANADA: A dispute between the Government and multinational pharmaceutical companies, involv*ing complaints against Canada's* "compulsory licensing" system, is likely to come to a head soon. **Page 6**

PORTUGAL: Employees of two state shipping lines destined for closure began an indefinite strike in protest against retirement and compensation terms.

INDIA is expected shortly to complete negotiations with British *Aerospace to buy 11 Sea Harrier* jump jets worth more than £100m ($106.6m). **Page 6**

HONG KONG property group International City Holdings suffered a full-year loss of HK$283m (U.S.$36m), reflecting the cancellation of a HK$1bn deal with mainland Chinese interests. **Page 21**

OHIO state officials yesterday sought a buyer for Home State Sav*ings Association,* hit by $20m *of* withdrawals following its involvement with the failed ESM Government Securities. **Page 19**

ERICSSON, Swedish telecommunications and electronics group, suffered a 10.7 per cent profits decline last year and fell into loss in its key *information systems* division. **Page 19**

HITACHI, Japanese computer manufacturer, *launched two powerful new mainframe models* to compete with IBM's Sierra range and hopes to beat the U.S. group to market with them. **Page 19**

SWEDEN'S finance ministry says it will lift the freeze on company dividends for profits earned in 1985. **Page 19**

SIME DARBY, Malaysian plantation and trading group, increased *pre-tax* profits by 27 per cent to 123m ringgit ($49m) in the half-year to *December*. **Page 21**

SHELL Francaise, the UK oil group's French subsidiary, blamed deteriorating refining margins, oil market weakness and *stiff competi*tion for a 1984 loss of FFr 1.07bn ($103m). **Page 19**

COLECO, the Cabbage-Patch Kids toy manufacturer which withdrew from the home computer market earlier this year, suffered losses of $93.2m for the fourth quarter and $79.8m for the full year. **Page 19**

Dollar tumbles as markets' confidence ebbs

BY PETER MONTAGNON IN BASLE AND PHILIP STEPHENS IN LONDON

THE DOLLAR fell sharply yesterday against other leading currencies. It closed in London at DM 3.3385, *down* 7.4 pfg, while sterling gained 2.15 cents to $1.0890.

The trend *continued in afternoon* trading in New York, with the dollar at DM 3.3350 and sterling at $1.0810. The dollar was near to its London closing levels of FFr 10.20 and SwFr 2.8475.

Foreign exchange dealers said that the dollar's drop had been triggered by lower U.S. interest rates, but they also reported a more general weakening of confidence in the U.S. currency.

In Basle, senior central bankers said that their recent intervention against the dollar had been more successful than initially appreciated.

Speaking after an assessment of *their intervention strategy* at the Bank for International Settlements, they said it had forced the markets to realise the risks in always pushing up the dollar.

"We have succeeded in stabilising the *dollar* at a lower level," *one* leading central banker said.

The bankers acknowledged, however, that sales of dollars on such a massive scale as last month, when around $3½bn was thrown on the *market, would be hard to repeat.*

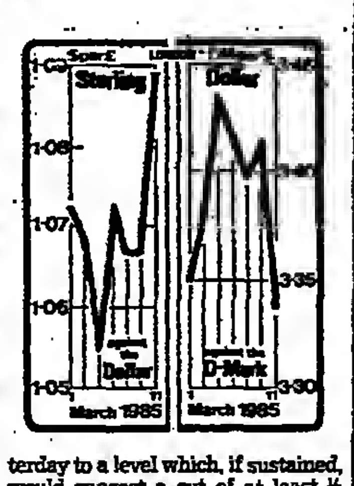
Few European countries have the resources to continue intervening so heavily. Some such as Switzerland, which did not participate in the sales, also questioned the usefulness of concerted intervention.

The bankers warned that if the dollar rises further there may therefore be no choice for European countries but to fall back on a further rise in interest rates.

This would be a particular blow to West Germany's Bundesbank, which took the lead in organising the intervention and would be "very reluctant" to raise German interest rates because of fears that such a move would undermine the economic recovery.

Sterling's rise against the dollar and against most other European currencies meanwhile raised hopes in London of an early cut in Britain's base lending rates, perhaps to coincide with the Conservative Government's budget next Tuesday.

Wholesale interest rates fell yesterday to a level which, if sustained, would suggest a cut of at least ½ point in the 14 per cent base lending rates charged by British banks.



The Bank of England, however, left its money market dealing rates unchanged yesterday, making it clear that it wants to ensure that the current optimism in financial markets is durable before it leads interest rates lower.

The UK authorities are aware that a similar bout of confidence early last month quickly evaporated *after a renewed surge in the dollar's* value.

The D-Mark was helped yester*day by support in Sunday's local* elections for one of Bonn's coalition partners, the Free Democratic Party, and the low poll for the Greens.

News of the death of Soviet President Konstantin Chernenko and the *election* of Mr Mikhail Gorbachev as General Secretary of the Soviet Communist Party had little effect on currency trading.

The price of gold, once a sensitive barometer of East-West tensions, was hardly influenced by news from Moscow and closed at $291.05 an ounce, virtually unchanged from Friday.

Dealers said there was no central bank intervention in the currency markets yesterday.

Warning that the dollar would sooner or later fall steeply, one central banker said: "It should be in the interests of the U.S. to build up reserves of D-Marks, yen and other currencies now."

Lex, Page 18; Money markets, Page 39

Al-Fayeds hold 51% of Fraser store group

By John Moore in London

THE *Al-Fayed family of Egypt* yesterday gained control of Britain's largest department store group, House of Fraser, after a whirlwind £130.4m ($142.1m) share-buying spree on the London Stock Exchange. *Yet Lonrho, once* House of Fraser's largest shareholder, was refusing to concede defeat and said that it "reserves its expectation and wish" to make a bid at "an appropriate price and date."

The Al-Fayed brothers, Mohamed, Ali and Salah raised their stake in the Harrods stores group from 29.9 per cent to 37.4 per cent during the morning with their stockbrokers Grieveson Grant *acquiring 11.4m shares* at a price of 403.5p a share. By lunchtime, Lonrho had announced that it had decided to sell £39.1m of its own shares in Fraser leaving it with a mere 50,000 shares in the stores group. Lonrho's 9.7m shares which came onto the market were snapped up by the Al-Fayeds.

During the afternoon the Al-Fayeds stake in Fraser climbed by a further 20.9m shares as investors, seeing a possible end to the battle, decided to sell out at the highest possible price. At the close of yesterday's trading the Al-Fayeds had control with a stake representing 51.03 per cent of the stores group, amounting to 78.4m shares.

Mr Norman Tebbit, the British Secretary of State for Trade and Industry, has yet to make up his mind on whether or not the Al-Fayed £615m takeover of Fraser should be referred to the Monopolies and Mergers Commission. Lonrho is arguing that the Al-Fayed bid should be referred and reprentatives of the group are to see Mr Tebbit this morning.

Mr Paul Spicer, a Lonrho director, said that the Al-Fayed purchase of 51 per cent "is meant to be a fairly decisive percentage." But, he added that the Government still had to decide whether or not the bid should be referred to the Monopolies Commission. *If they did* refer the bid and there was an adverse finding the minister had the power to order divestment. "If they do not refer the Al-Fayeds at all that is the end of the matter."

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Lex, Page 18

Israeli troops kill 30 Shias in attack on Lebanese village

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

ISRAEL troops killed 30 Shia Mos*lems* in an attack on a southern Lebanese village yesterday as Israel buried the 12 soldiers blown up by a suicide car bomb on Sunday.

The Israeli army denied that the unprecedentedly large-scale attack on Zrariye village, north-east of Tyre, was in retaliation for the car bombing, but Prof Amnon Rubinstein, the communications minister, said the raid was "an emotional release."

A *Lebanese* army unit in the village, which is outside the Israeli area of occupation, tried to block the road leading into Zrariye. After an exchange of fire, the Israelis drove off the Lebanese soldiers, taking 10 of them prisoner.

Reporters who managed to enter the village later said they saw at least 12 bodies on the road into Zrariye. Houses had been blown up and palls of smoke hung over the sea.

In Beirut, leaders of the Shia Amal militia described the Israeli operation as a "massacre." But they stressed it would not weaken their resolve to drive all Israeli troops out *of southern Lebanon. They claimed* the Israeli troops had taken away about 150 villagers.

Israelis see their country's position in Lebanon as having become hopeless, and want an orderly withdrawal as quickly as possible. Its strategy for creating a peaceful and friendly neighbour lies in tatters. The Middle East in turmoil, Page 4

An Israeli army officer said that huge quantities of weapons had been found during the search of the village, which he described as a "hornet's nest" of Shia resistance.

Yesterday's attack was the most fearsome of the daily Israeli punitive action against Shia villages, which has been undertaken daily for the past three weeks. The death toll was clearly intended to tell the Shia that Israelis will respond massively to any casualties it suffers.

There were nine attacks yesterday on Israeli troops, and the Israeli-backed South Lebanon militia, but Israel said one of its soldiers were wounded in these actions.

In the wake of Sunday's car bomb there were calls in Israel for speeding up the planned withdrawal of its troops. Six motions to this effect were tabled in the Knesset (Parliament). However, Mr Shimon Peres, the Prime Minister, made clear that he had no intention of responding to these appeals.

"We will leave Lebanon but we will not run away frightened, or in defeat," he said. "Anyone who fires on an Israeli soldier will be fired on in return."

Mr Yitzhak Rabin, the Defence Minister, said that Israel would deal partly with what he called "the stockpile of suicidal Shia maniacs."

Israel banned all vehicles from entering southern Lebanon yesterday

CONTENTS

DEATH OF CHERNENKO

Chernenko: classic bureaucrat who made it briefly to the top

FROM THE day in February 1984 that Konstantin Ustinovich Chernenko, then 72, took over as General Secretary of the Soviet Communist Party, be was widely considered a stop-gap. He presided over a return to a more collective style of leadership in the Kremlin; this masked yet another phase of the Soviet succession struggle in which younger men jockey for position in the long generational transition that started in the last two years of Brezhnev, persisted through the hrief Andropov era, and continues today.

Without the flair of a Brezhnev or the intellect of an Andropov, Chernenko, the sixth Soviet leader, was an able organiser and administrator, in sum a classic bureancrat. Virtually his entire career was spent in the central party apparatus, and he rose to the top without ever running a ministry or e major region or sector of the economy. It is e reflection of the complexity of the modern Soviet state that his knowledge of the highways and hyways of the bureaucracy should have been considered qualification enough for the highest post.

Luck played a part in Chernenko's rise, particularly in his 32-year-long association with Brezhnev. It was Brezhnev who brought Chernenko to Moscow (1965), made him his effective "office manager" (1976), put him in the Politburo (1978) as his "chief lieutenant" and patiently groomed him as his successor. The subsequent ill-health of Kirilenko and deeth of Suslov (January 1982) removed further obstacles to Chernenko's upward path.

On his mentor's death in November 1982 Chernenko was decisively outmanoeuvred by Andropov. For a time, during the crackdown on laxness and corruption that followed, the Brezhnev association seemed almost as great a liability as it had earlier been an asset. But the early death of Andropov after only 15 months nominally in power had given younger Politburo contenders like Gorbachev little time to huild np their own power bases and connections.

Chernenko, who finally won through as the compromise choice, had doggedly pursued his way up the slippery pole of Kremlin politics. His ambition was once described by Brezhnev as "restless," and Chernenko compensated for his unprepossessing public performances and lack of executive government experience with assidnous behind-the-scenes cultivation of the party hierarchy, both in Moscow and in the republics, and with a prolific number of written publications.

With many variations on the catch-all theme of ideology which Chernenko made his speciality, these writings showed the man to be e "look before you leap" conservative, but also a cautious proponent of more consumer welfare, of greater democracy and consultation inside the party and of detente abroad. These were very mnch Brezhnevite themes.

Yet they were not the hallmarks of Chernenko's tenure as party leader, which was essentially a balancing act. He presided over a Politburo, many of whose members had greater expertise or stronger personalities, such as the old guard foreign and defence policy specialists like Gromyko, and thrusting younger Andropov proteges like Gorbachev. Chernenko's only clear ally in the Politburo was Prime Minister Nikolai Tikhonov.

Mr Chernenko in his last public appearance on February 28 receives congratulations on his re-election to the Supreme Soviet

Chernenko inherited a situation in which relations with the U.S. had sharply deteriorated. The Soviet Union's increasingly confrontional stance towards the West in general and the Reagan administration in particular was accentuated, first, by the international outcry over its September 1983 shooting down of a South Korean airliner, and, second, hy the collapse of arms control negotiations in November 1983 when the Soviets pulled out of talks with the U.S. in protest et new U.S. missile deployments in Western Europe.

Yet, within 18 months of that walk-out, the Soviet Union is today resuming negotiations in Geneva with the U.S. on a broader front than ever before, not only ebout medium- and long-range offensive nuclear missiles but also about space- and earth-based defensive systems.

It would not be surprising if Chernenko, who was part of the Soviet delegations signing the 1975 Helsinki accords and the 1979 Salt 2 treaty and a man closely identified with Brezhnevite detente, used his influence to get some return to dialogue with the West.

Chernenko's writings and speeches, particularly before be became party general secretary, showed a consistent hope thet arms control agreements with the West would allow resources to be shifted to the consumer sector. In 1979, for instance, he said he wanted a Salt 3 agreement so that "e considerable part of the resources currently swallowed np by the arms race could be used for creative needs."

Chernenko's part in the abrupt dismissal in September 1984 of Marshal Ogarkov from the top professional post of chief of the general staff is shrouded in mystery as is the whole Ogarkov affair. He was probably predisposed personally against Ogarkov.

From what is known about the Marshal's apparent contempt for many of his civilian peers and superiors—it was Ogarkov who asked U.S. negotiators in the Salt talks not to reveal certain Soviet military data in front of the civilians in the Soviet delegation—and the Marshal's embarrassing public calls for more money to match new U.S. bi-tech conventional weaponry, it seems likely that Chernenko had key allies in moving against e soldier who had apparently grown too hig for his army boots. The Marshal's dismissal also conveniently removed him as a top contender for the post of Defence Minister, when the long-time incumbent Marshal Ustinov, died et the end of 1984.

But, despite all this, there was little real softening in Soviet foreign and defence policy under Chernenko. In his puhlic pronouncements, Chernenko balanced—no less than his Politburo colleagues—calls for renewed detente and arms control with attacks on the Reagan administration and stress on Soviet military might. With the notable exception of returning to arms negotiations, the Soviet Union gave the strong impression of continuing on "auto-pilot," or perhaps more accurately on "Andropov-pilot." This was nowhere more evident than in domestic affairs.

The Andropov brand of economic reformism and social disciplinarism had proved popular, and Chernenko had neither the will nor the means to change it. The purge against the corrupt and inefficient continued virtually unabated, both in Moscow and in such widely differing republics as Uzbekhistan, Latvia, Georgia and Belorussia. Much of the intial betehetwork was done under Andropov, and some sentences were lighter under Chernenko than they would bave probably been under his predecessor. But, in his attitude towards dissidents and foreign culturai influences Chernenko was, if anything, more repressive than Andropov. The compaign against Western jeans and pop music was stepped up and new laws made it an offence to give a foreigner general economic information or unauthorised transport or sbelter.

On economic reform, Chernenko seemed simply content to follow in the direction in which Adropov had pointed—towards limited autonomy for managers in certain sectors, but with no drastic overhaul of the central planning system. He told the first plenum of the Central Committee which he addressed as General Secretary in April 1984 that the search was on for "new forms and structures of ecenomic sctivity," but made it clear that no hasty or radical changes would be made. By the end of 1984, some 12 per cent of the economy was said to be affected by the management reforms.

A clear chance for radical re-ordering of Sovlet trade relations with its partners came with the June 1984 Comecon summit. But it was not thoroughly exploited. Chernenko got his Comecon partners to agree, as the Moscow summit communiqué spelled out, to give the Soviet Union higher-quality machinery, food and consumer goods, in return for Soviet anergy and raw materials.

Chernenko also pushed his allies into agreeing to more co-operation in high technology in general and in electronics and computing in particular, as a counter to U.S.-inspired export controls by Western countries. But there were no structural ehanges to give substance to the summit's call for greater integration and more "direct reletions" to enterprises across national boundaries: one of the obstacles to the latter being Chernanko's unwillingness to grant Soviet enterprises any autonomy that diminished the control of Gosplan, the state planning organisation.

Thus, Chernenko does not leave the Soviet Union much different from when be assumed power. Nor is his modest legacy likely to last long. He deplored the lack of respect that leaders like the erratic Khruschev had had for the party in rapidly rotating party "cadres" and won not inconsiderable popularity by promising the party hierarchy security of tenure. The ironic result was that he himself appointed few of his men to key posts unlike Andropov, and indeed Brezhnev to Chernenko's own benefit, had done.

David Buchan

Bush to head Western group at funeral

U.S. Vice-President George Bush will head the group of Western leaders attending Mr Chernenko's funeral in Moscow tomorrow.

Other leaders who announced their plans yesterday included Mrs Margaret Thatcher, the British Prime Minister, Chancellor Helmut Kohl of West Germany, and President Sandro Pertini of Italy who cut short a visit to Brazil yesterday where he was due to attend the installation of the newly-elected President, Tancrdo Neves.

Mr Rajiv Gandhi, India's prime minister, will make his first visit to Moscow since his election,

Washington expects little impact on relations

THE CHANGE in Soviet leadership should make little immediate impact on U.S.-Soviet relations, which President Ronald Reagan has gradnally been trying to unthaw over the past year, according to the prevailing view in Washington yesterday, writes Reginald Dale, U.S. Editor.

Most importantly, officials said there was unlikely to he any change in the Soviet opening position for the arms talks, due to start in Geneva today, which are seen here as the centrepiece of the superpower relationship.

In an indication of his friendlier attitude towards Moscow, Mr Reagan yesterday let it be known that he was seriously considering attending Mr Chernenko'e funeral, before ruling it out because of what the White House described as "logistical difficulties."

U.S. officials said that Mr Chernenko had had little to do with preparing the Soviet position for Geneva, believed in Washington to have been masterminded by Mr Andrei Gromyko, the Foreign Minister. Mr Chernenko had not in any case been expected to live to see the end of the negotiations.

Most U.S. observers thought that while it would take Mr Mikhail Gorbachev some time to establish himself firmly in the saddle, his youth and vigour could lead to longer term, not necessarily favourable, changes in relations with Washington.

The Reagan Administration was not particularly pleased by the warm welcome Mr Gorbachev received during his visit to Britain in December, believing that the British had been a little naive in succumbing to his apparently easy-going manner.

LONDON: Leaders of the three main opposition parties will accompany Prime Minister Margaret Thatcher, and Sir Geoffrey Howe, the Foreign Secretary, to Moscow for the funeral, writes Margaret van Hattem.

All four party leaders yesterday issued statements of regret and condolence. Mrs Thatcher said: "Although be held the highest office for a relatively short period, his loss has deprived the Soviet Union of an experienced leader."

She did not refer explicitly to Mr Gorbachev, but Downing Street referred to her comment after their meeting last December that she "liked" him and felt he was a man with whom she could "do business."

BONN: Mr Chernenko's death illicited little more than the customary condolences here yesterday, Peter Bruce writes. Bonn is still savouring the prospect that it has finally overcome the isolation imposed on it by the Soviet bloc after the deployment in West Germany of U.S. Pershing 2 missiles in late 1983.

West German enthusiasm about the state of its Ostpolitik is now such that Herr Pieter Boenisch, the government spokesman, felt bold enough also to declare that Mr Gorbachev's election was "not unexpected" and that Bonn had been eware for some time that he had been doing Mr Chernenko's joh.

PARIS: The French Government has long had a respect for Mr Gorbachev, the new Soviet leader. M Roland Dumas, the Foreign Minister, was to bave seen him during his visit in Moscow yesterday. But the talks were cancelled after Mr Gorbachev was appointed head of the Chernenko funeral committee, Paul Betts writes.

The appointment of Mr Gorbachev is seen in Paris as bringing firm leadership. Like other Western countries, France has been worried hy the recent indecisiveness of the Moscow leadership as a result of Mr Chernenko's ill-health.

East Europe braced for Gorbachev 'the reformer'

THE LATE Konstantin Chernenko will be remembered in East Germany es the Soviet president under whose leadership East Berlin was able for the first time to defy Moscow and continue to improve relations with West Germany, writes Leslie Colitt in Berlin.

Throughout much of last year Eastern Europe was treated to the spectacle of the Soviet Union ineffectuelly warning its most important Warsaw Pact ally of the danger of closer economic relations with West Germany. The remarkable dissension between East Berlin and Moscow ended with the restoration of Mr Andrei Gromyko's pre-eminence in formulating Soviet foreign policy.

Herr Erich Honecker, the East German leader was forced hy Mr Gromyko to cancel his planned visit to West Germany.

Feelings about Mr Gorbachev vary among the East European allies. He is highly spoken of in Hungary because of his image as an economic reformer.

East Germany and Czechoslovakia, while welcoming Mr Gorbachev effusively, are more concerned that his enthusiasm for economic reform be misinterpreted by their own frustrated managers. Both countries have introduced measures to bring prices more in line with costs and are stressing the importance of net production

Burt promises 'new ideas' for arms talks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN BRUSSELS

MR RICHARD BURT, U.S. Assistant Secretary of State for European Affairs, said here last night that the U.S. intended to take the initiative in the arms control negotiations with the Soviet Union starting in Geneva today on both strategic and intermediate range nuclear weapons.

"We definitely have new ideas," Mr Burt said after chairing a meeting of Nato's Special Consultative Group, in which the U.S. regularly consults its allies on intermediate range nuclear force (INF) negotiations.

Washington's tactics in the negotiations would be to uncouple the talks on long-range strategic missiles and medium-range missiles from the controversial issue of President Ronald Reagan's Strategic Defence Initiative (SDI), the so-called Star Wars project.

The U.S. and the Soviet Union decided in January that the arms control negotiations in Geneva should take place in three separate groups, devoted respectively to strategic weapons, INF and SDI. Moscow has made clear that unless the U.S. is prepared to give np its Star Wars research programme, there will be no prospect of agreement on the other two issues.

3Mr Burt, however, appeared to indicate that the new U.S. proposals on long and medium-range nuclear missiles would be sufficiently generous and flexible to persuade the Soviet Union to abandon the linkage between the three gronps.

"There is a strong feeling of confidence that our strategy will prevail," Mr Burt said. He added that U.S. nego- much flexibility before in tiators had never had so arms control talks.

In a statement issued after the meeting of the Special Consultative Group, Mr Burt said that he had reaffirmed the U.S.'s commitment to Nato's basic criteria for an equitable and meaningful agreement, while stressing its readiness to build npon "the inherent flexibility of our earlier initiative in September, 1983."

The SCG members welcomed the opening of the new negotiations and experessed full support for the U.S. approach. They noted that the U.S. position in Geneva would offer ample room for serious negotiations towards an equitahle and verifiable. agreement.

U.S. negotiators face an uphill task at Geneva. **Reginald Dale** reports

Seachange for nuclear strategy

THE U.S. comes to the Geneva negotiating table with the most ambitious aims of any American Administration since the dawn of the nuclear age. Not only does it seek unprecedented reductions in, as opposed to limits on, offensive nuclear weapons—it ultimately foresees a world in which all nnclear weapons will be obsolete.

To get from here to there, Washington is proposing to turn the entire concept of nuclear deterrence on its head, in a monumental move from offence to defence, from the doctrine of "mutual assured destruction" to whet President Ronald Reagan calls "mutual assured security." To convince a hitterly bostile Soviet Union of the need for that change will he Washington's over-riding objective.

While a more conventional agreement on strategic or intermediate range missiles may not be ruled out further down the road, Mr Robert McFarlane, Mr Reagan's National Security Adviser, has left little doubt about the U.S. opening position. Unless Moscow grasps the concept of stralegie defence, he said on Friday, there will be no basis for trede-offs.

The hardliners in the Reagan Administration, who have usually set the tone of arms cootrol policy, do not believe that U.S. positions sbould be drawn up in the light of wbat is negotiable with the Soviet Union. The touchstone is American stralegie interest—if he cannot have wbat he calls a good agreement, Mr Reagan would ratber have none at all. He believes that, thanks to American technological pre-eminence, failure to agree would cause the Soviet Union more problems than the U.S.

Past arms control agreements, in the Administration's view, have been heavily to the Soviet Union's advantage, largely because the U.S. has preferred to settle for any agreement rather than none. Above all, as Mr Paul Nitze, the Administration's senior arms control adviser, puts it, previous agreements "have never gotten a handle on offensive systems."

Soviet offensive power is the starting point for the U.S. analysis. Since the 1972 Salt 1 agreement, Washington says, the Soviet Union bas engaged in a massive and de-stabilising build-np of increasingly invulnerable and accurate strategic offensive forces. It is pouring equal amounts of resources into defence, including its own star wars programme, and has failed to comply with both the spirit and letter of past agreements.

> 'Washington is proposing to turn the entire concept of nuclear deterrence on its head in a monumental move from offence to defence, from the doctrine of mutual assured destruction to what President Reagan calls mutual assured security'

Against this, the U.S. bas fielded hardly any new offensive systems and done virtually nothing about defence. The Soviet Union bas not only upset the offensive balance, but is actually shielding its forces against the "assured destruction" on which deterrence has rested for the past quarter of e century.

To restore the balance, as Mr McFarlane sees it, the U.S. bas three options. It can attempt to reduce the Soviet offensive systems to equal levels in negotiations, it can try to match them, and it can try to defend itself against them.

The Administration has chosen to pursue all three options at once. However, it can be argued that all three depend on the Soviet Union agreeing in Geneva to restrain, if not reduce, its offensive arsenal and particularly the land-based intercontinental strike force that is its principal strategic asset.

Without agreed limits, the Soviet Union is highly geared to keep building up its missiles, not only to outgun the U.S. offensive forces but to overwhelm any defence. Indeed, Moscow has already said clearly that it plans to start building up its offensive forces to counter star wars without waiting for the weapons to be deployed.

Mr McFarlane replies that such a response to star wars would be "hopelesely self-defeating" if the U.S. sticks to the criteria it has set itself for deployment. These are that the space-based elements of any defensive system must be relatively invulnerable and that it is cheaper for the U.S. to add to its defences than for the Soviet Union to expand its offensive firepower.

Critics of star wars believe that neither criterion can possibly be met, but that there will be so much momentum behind the programme that the weapons will be deployed anyway. Certainly, the Soviet position in Geneva is based on the insistence that star wars must be stopped now.

If not, Moscow fears it threatens to put the U.S. in a position from which it could strike first withont fear of retaliation, something that Moscow has said thet it can never eccept (and which, incidentally, the U.S. has also said it could never accept if the boot where on the other foot). If the Soviet Union develops star wars first, Mr Reagan said in an interview yesterday, Moscow would be able to issue "an ultimation to the world."

The way round this, in the U.S. view, is to phase in the eployment of the new defensive systems, probably by both sides, in a way that would not tempt either of them to strike first while the transition took place. Whan the U.S. talks about negotiating in the future on star wars deployment, it does not mean talking about limiting or abolishing the system, but about how best to introdnce it. As it was progressively deployed, offensive missiles, and with them the concept of mutually assured destruction would be phased out.

It is this thet will be at the heart of the U.S. aproach in Geneva. Many Americans outside the Administration believe that it is unrealistic, if not dangerous. It remains, however, President Reagan's vision and be is a true believer. It demands an historic—and vastly expensive—change in Moscow's entire nuclear strategy. It does not seem, in Mr Reagan's eyes, to be susceptible to compromise.

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UK ban on milk imports faces European Court test

BY ANDREW GOWERS IN BRUSSELS

A FULL SCALE legal confrontation between the UK and the European Commission over Britain's ban on imports of pasteurised milk is expected to begin this week.

The Commission will decide formally at its weekly meeting tomorrow to take Britain to the European Court of Justice for the ban, which it says is an illegal restraint on trade.

Britain argues that the embargo is necessary on health grounds. In its recent reply to the Commission's "reasoned opinion" on the ban—the first step in EEC legal proceedings—the UK made it clear that it intended to fight the case.

"We think we've got a case, and therefore it's worth fighting," said one British diplomat yesterday. "The UK experience with the European Court has been rather unhappy but we haven't lost every case."

But the issue has revived memories of Britain's efforts to defend its previous ban on imports of ultraheat treated (UHT) milk, which were defeated in the European Court more than a year ago.

Britain argues that the health risks involved in importing pasteurised milk are greater than in the case of UHT milk. But the Commission does not accept that this justifies a blanket ban on all fresh milk imports regardless of the origin.

"We're a little bit surprised that Britain has chosen to defend this case," said a Commission official. "Milk is a product that is widely traded across frontiers in the rest of the Community."

The British dairy industry is also surprised at the decision by Mr Michael Jopling, Britain's Agriculture Minister. Senior officials of the Milk Marketing Board are known to believe that his case against the ban is extremely flimsy, and are annoyed at being exposed to a lengthy and potentially embarrassing court case.

EEC nations feel their way through the car pollution fog

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN Community countries are moving into a crucial phase of political and technical negotiations about cleaning up car exhausts without any very clear idea of the precise results they can achieve.

The assume that when they have finished they will have set technical standards for making the air cleaner than it is now—reducing the amount of acid rain which is running forests —but they do not have the information to tell them exactly how much cleaner.

At the centre of the negotiations is the West German demand for rapid fitting to cars of three-way catalytic converters and the adoption of U.S. standards for clean air.

The first snag is that there is no European equivalent for the U.S. standards, which, in this case, are based on the performance of cars which are generally larger than those used on this side of the Atlantic, driven differently and driven under different conditions.

Establishing a European equivalent can only be done after complicated scientific calculations which will not be finished until June, or just before West Germany plans to introduce fiscal incentives to encourage the purchase of cars with the converter.

Because West Germany cannot produce a European standard, it seeks to adopt, and have the other Nine adopt, not so much a standard but a technology for the motor industry to produce cleaner air. This technology involves not only the installation of the converter but also the U.S. system of testing to see whether it works.

This raises a second snag. As U.S. cars are different and driving conditions are different from those of the EEC, the U.S. testing is different. As a general point, the U.S. test cycles are based on outer city conditions, where the traffic moves faster than in European urban conditions.

But they are not based on motorway conditions. Much of the blame attached to European driving and its role in the formation of acid rain is related to scorching up and down motorways.

Yet there have existed, since 1970, EEC exhaust standards and EEC test cycles, based for the most part on inner city driving. Outside West Germany, there is a general desire to maintain European standards and test cycles, stiffening them np periodically to reach the result the U.S. is thought to have achieved.

This has meant that the European Commission has sought roughly to quantify the U.S. standards, so that the Ten can have a broad idea of what they are negotiating about. But the only way it has been possible to do this is to quote a range.

This involves stating that the permissible level of emissions, measured in grammes per test for carbon monoxide, unburnt hydrocarbons and nitrogen oxide would be within a certain span of figures if an equivalent of U.S. standards is adopted.

Now, the counter-proposal to the West German plan has come from Britain. But the British ideas are couched, not in terms of a technology like those of West Germany, but in terms of a standard springing out of the EEC experience since 1970.

CAR EXHAUSTS: EEC STANDARDS AND PROPOSALS
(grammes per test)

	Standard from Oct. 1984	U.S. Commission range	British proposal	Dutch proposal
Carbon monoxide	67	10-35	35	30
Hydrocarbons	16.3	2.6-8.2	6	3-4
Nitrogen oxide	10.2	1.1-4.0	6	4

Bankers set to enhance Ecu's role

By Peter Montagnon, Euromarkets Correspondent, in Basle

EEC CENTRAL bank governors meeting in Basle are expected to approve a package of measures today designed to enhance the role of the European Currency Unit (Ecu) as an official reserve currency.

Technical objections from a number of central banks to the proposals made by the EEC Commission last December had now been overcome, paving the way for endorsement of the package at the regular EEC central bankers' monthly meeting in Basle, senior central bankers said.

The measures include:

- Raising the remuneration on official Ecu holdings to a level close to market rates. Currently these bear interest at the average of member countries' discount rates;
- Permitting non-EEC central banks to hold official Ecu deposits in their reserves if they so wish;
- Making the Ecu more freely available for intervention within the European Monetary System even when a currency is not at its floor or ceiling.

Oslo undercuts BNOC price for Brent

By Fay Gjester in Oslo

NORWAY'S oil industry yesterday published guideline crude oil prices which show Brent blend crude at 55 cents a barrel less in the fourth quarter of 1984 than the British National Oil Corporation (BNOC) price for December.

The so-called "norm" prices are fixed every quarter in Norwegian kroner, for taxation purposes, by the official Petroleum Price Council. They assume 30-day credit. The equivalent dollar value, published simultaneously, is based on average rates of exchange during the quarter.

The fourth quarter norm prices put Brent blend crude, FOB Sullom Voe, at NKr 248.70 ($28.10) a barrel.

French shift to right confirmed

BY DAVID HOUSEGO IN PARIS

THE SUBSTANTIAL shift to the right of the French electorate was confirmed yesterday with the announcement of the results of Sunday's local elections which showed that the right-wing parties won 57.8 per cent of the votes, against 41 per cent obtained by the left.

This marks a reversal of the situation in the parliamentary elections in 1981 when the left gained 55.6 per cent of the vote after M François Mitterrand's presidential victory. But the right's score on Sunday was in line with its performance in the European elections in June when it also gained 57.5 per cent of the vote.

The immediate political question raised by the result is how much *proportional representation* President Mitterrand feels he can introduce into the voting system to prevent a right-wing domination of the National Assembly as a result of next March's parliamentary elections.

On the basis of the existing single-seat majority voting system, the Socialists on Sunday would have been reduced to a rump in the National Assembly, leaving M Mitterrand in an isolated and possibly untenable position at the Elysée.

M Mitterrand's hope is to build a new centre-left majority in a divided Assembly after 1986. He received support towards this goal in yesterday's results which showed some fragmentation of the right. Independent and moderate right-wing candidates gained 12.9 per cent of the vote, while the extremist National Front won 8.69 per cent.

But most political analysts were yesterday agreed that proportional representation could be of only *limited value against the size of defeat* reflected in Sunday's poll.

For M Mitterrand's strategy to be credible, the Socialists – as the pivot of a new coalition – would also need to obtain closer to 30 per cent of the vote than the 26.5 per cent that they and the radical left won on Sunday.

Several senior Socialist leaders, *including M Pierre Bérégovoy*, the Finance Minister, who also hold elected local posts, will have to stand in electoral run-offs in the second round of the election next Sunday.

The Communists have announced that they will stand down against Socialist candidates who were in the lead in Sunday's poll – but the terms of the Communist declaration suggest only luke-warm support.

The National Front made its deepest inroads in the departments bordering the Mediterranean coast and in the northern cities – both areas where immigration is high and the Front's racist campaign found an echo.

In the Var, for example, M Jean-Marie Le Pen's party scored 20.24 per cent of the vote – rising to a record of 31 per cent in one district of Toulon – and in the Bouches du Rhone, 19.46 per cent.

Although the Front's national score of 8.69 per cent was down on the 10.9 per cent it won in the European elections, most observers put this down to the fact that it was represented in only three quarters of the cantons that went to the poll and that it is a new movement.

It is accepted that the Front has established its claim to be taken seriously as a national party – and one that poses dilemmas for the parliamentary opposition hostile to its extremism.

PERCENTAGE OF VOTES IN FIRST ROUND OF CANTONAL ELECTIONS, MARCH 10

	%
Socialist party and MRG	26.52
Communist Party	12.67
UDF and RPR	38.15
Independent right	12.90
National Front	8.69

Inter-German contacts begin

BY LESLIE COLITT IN BERLIN

CONTACTS between East and West Germany at the highest level for many months will begin today when Herr Martin Bangemann, Bonn's Economics Minister, begins talks with the East German leadership.

Herr Bangemann was recently elected chairman of the liberal Free Democrat Party, the coalition partner of the Christian Democrats.

Herr Bangemann will meet Herr Günter Mittag, East Germany's economics chief, in East Berlin today for talks on expanding East-West German trade, which rose to a record DM 15.4bn ($4.53bn) last year. Tomorrow he will meet Herr Erich Honecker, the East German leader, for wide-ranging economic and political talks.

The West German Economics Minister will then visit the Leipzig East-West Trade Fair for a meeting with Herr Horst Soelle, East Germany's Foreign Trade Minister.

Last weekend Herr Honecker played down a heated controversy between West Germany and the Warsaw Pact countries over alleged "revanchism" in Bonn by calling it "irritations."

During a meeting in Leipzig with Herr Hans-Otto Bräutigam, West Germany's permanent representative to East Germany, the East German president said a recent statement to the Bundestag by Herr Helmut Kohl, the West German Chancellor, on the inviolability of all European borders had helped to "calm down" the issue.

"This recent statement will have a highly beneficial effect on our mutual relations," Herr Honecker told the West German envoy.

Herr Honecker said his country was prepared to expand trade with West Germany, which he said would help to create "favourable conditions" for the development of relations between the two German states.

Polish leader attacks talks on debt

By Christopher Bobinski in Warsaw

GENERAL Wojciech Jaruzelski, the Polish party leader, has sharply criticised the country's 17 main Western government creditors for "introducing new demands and in a sense going back on the spirit of agreement" in Paris Club debt refinancing talks last week.

His comments on the Paris Club talks are unusual. Mention of the issue at the highest level shows the measure of Polish concern at developments in the talks.

The general, speaking to Party members in the Polish Baltic port of Szczecin, especially attacked the West Germans for leading the "assault" at the Paris Club meeting which was devoted to refinancing payments falling due this year.

At issue is the Polish request to the Western governments for some $1.7bn worth of new trade credits this year which, the Poles say, are essential if the terms of a negotiated agreement on refinancing payments that fell due between 1982 and 1984 are to be carried out.

The agreement has been merely initialled, and the Poles say they will not sign unless new trade credits are granted.

EEC factories become busier

BY PAUL CHEESERIGHT IN BRUSSELS

FACTORIES in the European Community are becoming busier, but even if the scope for greater production were taken up, the effect on unemployment would not be very great.

Analysts at the Commission, on the basis of the latest surveys of capacity utilisation throughout the Community, noted yesterday that job prospects depended on more investment in competitive sectors and a more efficient use of the capital stock, including flexible working time arrangements.

The level of capacity utilisation in industrial plants reached 81.7 per cent in January, marginally higher than the 81.5 per cent recorded in October. The upward trend is continuing, therefore, but more slowly than in previous quarters from mid-1983.

Plant utilisation is still less than the figure considered historically as "normal" – 85 per cent.

Greater business was particularly evident in plants in the UK and France. Danish and Dutch plants have little excess capacity, despite the substantial increase in investment since the start of 1984. In France, Luxembourg and Italy, a significant amount of slack is expected to remain.

Relatively stable raw material prices and moderate wage settlements have helped to keep costs under control.

CONFLICT IN THE MIDDLE EAST

Why Israel's grand strategy came to nothing in the Lebanon

BY DAVID LENNON IN TEL AVIV

THE ISRAELIS are sick and tired of Lebanon and want to get out as fast as possible without creating the impression that their soldiers are running away.

"We are in a hopeless position. The attacks, the suicide bombers, the Katusha rockets, the RPGS (rocket-propelled grenades), you don't know where it will suddenly come. There is nothing you can do about it. It's really frightening," one Israeli soldier in Lebanon said on Israel Radio yesterday.

Israel's strategy for creating a peaceful Lebanon and a friendly government in Beirut was in tatters long before Sunday's car bomb killed 12 Israeli soldiers. But that horrific explosion just 200 metres from the border was a bloody reminder of the failure of a war which has left 636 soldiers dead, cost $1m (£950,000) a day and has divided the country over the original invasion and the extent of withdrawal.

"The situation is difficult. There are no easy solutions in Lebanon," Mr Yitzhak Rabin, the Defence Minister, said yesterday. But he insisted that the guerrilla or suicide attacks will not force Israel to speed its withdrawal programme.

Israel invaded Lebanon in June 1982 to destroy the threat it believed was posed by the Palestinian forces. In the process it created an even more implacable enemy, the Shi'ite Muslim population of southern Lebanon with whom it is engaged in a vicious circle of terror and retaliation.

Recognising the futility of remaining in Lebanon and unable to dictate terms to the Beirut Government, the Israeli Cabinet decided in January on a unilateral withdrawal in three stages. The first pull back, from the Sidon area, has already been completed.

The announcement that Israel intends to leave has spurred on the Shi'ites to believe that it was their unceasing guerrilla war which forced the Israelis to retreat.

Even the "iron fist policy," initiated three weeks ago, has failed to deter the attackers who yesterday morning alone made nine strikes against the Israeli forces.

Israel is determined to try to defeat the Shi'ites, because it fears the success of the southern Lebanese will encourage the Palestinians on the occupied West Bank and in the Gaza Strip to step up their resistance.

There is little doubt that the sight of a harassed and bleeding Israeli army in Lebanon has already strengthened the belief of the Palestinians that one day they too will be able to force the Israelis to recognise their nationalist aspirations.

The war in Lebanon has frequently been described as Israel's Vietnam, and this was never so true as it is today. Instead of *having* a strategy, Israel is now like a wounded animal reacting with rage as it seeks a way to end the pain and *suffering* of its troops in Lebanon.

The liquidation of suspected guerrillas, expulsions, the demolition of houses, curfews and other collective punishments have become the order of the day as the Israelis try to cut *their* losses.

One senior Israeli political commentator wrote recently: "We came to impose a new order in Lebanon, but instead Lebanon's way of doing things is imposing *itself* on us . . . we now descend to the depths of pointless retaliatory and preventive actions."

National morale has suffered severely as Israel continues to struggle with what may be the first successful guerrilla war wages against it. The failure of the nation's much-vaunted army to crush the resistance has led to Israelis doubting themselves and their political leaders.

Another soldier speaking on Israel Radio yesterday said the troops should retreat quickly from Lebanon and create a *cordon sanitaire* north of the border by driving out the Shi'ites from the villages near the border. "In the meantime, Israel should seek out and kill the leaders of the resistance, he said.

Mr Rabin denied that the idea of expelling the Shi'ites from the south is being considered.

Israel has already made it clear that it intends to create a security zone north of its border, along the lines of the *border strip* policed *before* 1982 by the Christian Militia of the late Major Sa'ad Haddad.

The idea would be to have the area policed by the *Israeli-backed* South Lebanon Militia with Israeli units being on hand for support in case of increased guerrilla activity by the Shi'ites and Palestinians.

However, Sunday's explosion right on the Israeli border calls into question the usefulness of such a security zone.

The long-term worry for Israeli military and political planners is the possibility that the Shi'ites will carry out attacks against Israeli villages after the troops have withdrawn behind the international border.

It would be ironic indeed if the Israeli army, which went into Lebanon to chase away the Palestinians, was to find itself *retreating from* Lebanon pursued by the Shi'ites.

Iran and Iraq extend bombing attacks on civilian targets

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

IRANIAN warplanes yesterday attacked targets near the Iraqi capital Baghdad for the first time in two years. The raid marked a further extension of the attacks which both sides have been mounting on mainly civilian areas during the past nine days.

Eyewitnesses in Baghdad reported seeing three Iranian aircraft over the eastern part of the capital and claimed that several people had been killed and houses destroyed.

Air raid sirens also sounded in Tehran, the Iranian capital, but there were no reports of bombing and an official communique claimed that two Iraqi *aircraft had been driven off.*

Iran said that its planes had also attacked four northern Iraqi towns early yesterday. It *named them as Amadiyah, near* the Turkish border, Aqra, Tuz Khurmatu and Kifri. The returning Iranian aircraft claimed to have shot down an Iraqi Mig-23 which attempted to intercept them.

Hojatoleslam Hashemi Rafsanjani, the speaker of the Iranian Parliament and Ayatollah Khomeini's personal represantative on the Supreme Defence Council, said later that Iran was ready to accept a call by the United Nations for an end to the attacks. "If Iraq gives up its wicked attacks then we would welcome it," he said.

Rafsanjani's statement was followed by a cable to the UN from Ali Akbar Velayati, the Iranian Foreign Minister, emphasising Iran's acceptance of a ceasefire beginning at midnight.

Iran, meanwhile, claimed that its own cities had been hit in further Iraqi attacks. The national news agency reported 70 dead and 500 injured in the town of Bakhtaran, formerly *Kermanshah*, and 12 dead *in* Borujerd, which is more than 200 miles from the border.

This followed several Iraqi *missile* and *air* attacks on Sunday during which the Iranian towns of Tabriz and Isfahan were hit.

The intensification of the fighting has prompted speculation in Tehran that Iraq is attempting to draw Iran into launching another ground offensive.

Rafsanjani repeated yesterday that Iran would only launch the attack at a time and place of its *own choosing*. He added that Iran's policy was not to hit Iraqi cities and be apologised for having to do so. The *attacks, he said, were solely in* response to Iraqi aggression against Iranian population centres.

Iran has however maintained its shelling of Basra, Iraq's main port which has been closed to shipping since the outbreak of the Gulf War in September 1980. Local residents said yesterday morning that shells were falling at the rate of three a minute. The shelling of Basra started a week ago in retaliation for an Iraqi bombing raid on an uncompleted Iranian nuclear plant and a steel works.

Mr Tariq Aziz, Iraq's Foreign Minister, has already expressed his willingness to travel to the United Nations in New York for talks on ending the escalating attacks on major cities.

The latest round of fighting underlines mounting frustration in both capitals at their inability to bring the war to a conclusion. Iran is still pledged to the overthrown of President Saddam Hussein of Iraq and despite military evidence to the contrary appears to believe it can eventually score a decisive breakthrough on the battlefront.

Iraq has made no secret of its wish to negotiate peace on almost any terms which are not humiliating for its leadership. However, despite its persistent attempts to cut Iran's oil exports from Kharg Island and its successes in throwing back Iranian land offensive, officials in Baghdad accept that they are little closer to a negotiated end to the war.

The White House is hedging its bets on the latest Middle East plan. **Reginald Dale** reports

U.S. plays hard to get in Egyptian peace initiative

AT THE White House today, President Hosni Mubarak of Egypt will try to persuade President Ronald Reagan to take up the relay for the next stage of the Middle East peace initiative that he launched in Cairo just over two weeks ago. But there is little sign that Mr Reagan is yet ready to run with the baton. Indeed, the U.S. view is that the Arabs must do a few more laps around their home track first.

It is not that Washington is totally unsympathetic to *Mr* Mubarak's latest plan, which calls for a dialogue between the U.S. and a joint Jordanian/Palestinian delegation to prepare the ground for direct Arab-Israeli peace talks. The Administration does not share the *view* of *some more cynical*, pro-Israeli members of Congress that Mr Mubarak is simply making peaceful noises because he *wants more American aid*.

There are, seen from Washington, good reasons why the moderate Arabs should be *serious about wanting progress*. The U.S. presidential elections, which normally put a complete hold on anything smacking of *U.S. pressure on Israel*, are over: Mr *Shimon* Peres, the new Israeli Prime Minister, is viewed at least privately by the *Arabs* as *somewhat* more amenable than his predecessors and, perhaps most importantly, time for a negotiated solution to the future of the West Bank and the Gaza Strip may be running out.

Mr Mubarak is clearly increasingly concerned that extremist and terrorist move*ments pose a growing threat* if the moderates cannot show results on the Palestine problem. From Egypt's point of view, *Mr Mubarak* believes that a broadening of the peace process to include other Arabs would finally vindicate his *country's Camp David policy* of seeking a separate deal with Israel.

Most, if not all of this analysis is shared by Washington. But from the Reagan Administration's viewpoint, the momentum now gathering in the Arab world following last month's agreement between King Hussein and Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, on a framework for peace negotiations, has come a little too soon.

The Administration believes Mr Peres will eventually be ready to talk seriously with the Arabs, but that he needs a little more time. *First*, the Americans say, he must cope with the Israeli withdrawal from Lebanon, get the economy under control, and stabilise his domestic political position. That, in Washington's probably over-optimistic assessment, could perhaps be achieved by the autumn.

To those who reply that the time *never* seems to be ripe for Israeli concessions—or for U.S. pressure for them—Washington believes there *is* no *point* in holding negotiations at all unless the Israeli Government is a willing participant.

On the other hand, Washington does not want to be seen as trying to slow down the Arab initiative. The U.S. is aware that if *it is* not encouraged the whole initiative may fall apart and that Syria is standing by to torpedo it if necessary.

Reagan: cryptic hints

Mubarak: at a crossroads

Washington's immediate problem is what to do about Mr Mubarak's specific proposal for a *U.S. / Jordanian / Palestinian* dialogue. It does not want to compromise its long-standing principle of refusing to talk to the *PLO until it recognises* Israel and accepts UN Security Council resolution 242, holding the prospect of an exchange of land for peace. And yet the proposed Palestinian/Jordanian delegation would almost certainly include PLO members, and Mr Arafat, while accepting at least by implication resolution 242 in the framework agreement, refuses to do so specifically.

Some kind of fudged solution could possibly be contrived on the delegation, but the U.S. does not want to provoke a premature row with the Israelis on the issue at this stage. It *believes that* the Arabs can and must come still further to meet its position and that its policy of playing hard to get is bearing fruit.

After all, Arab leaders are now flocking to Washington appealing to Mr Reagan to take the initiative and Mr George Shultz, the U.S. State Secretary, believes they can be drawn further. That is why the State Department keeps *dropping* coy, if cryptic, hints about U.S. readiness to re-engage in the peace process if the conditions are right. If, however, the U.S. engages itself too soon, it is afraid that the Arabs will relax and make no further efforts at compromise.

There are, however, other reasons for Washington's reluctance to get involved too soon. Mr Shultz is still feeling sore over the way Syria destroyed his much-trumpeted Lebanese/Israeli withdrawal agreement of May 1983, over which he feels he was let down by the Arabs, and does not want to get egg on his face again.

More broadly, there is a school of thought in Washington that is beginning to conclude that ofr the time being the Middle East may simply be a hopeless case that does not matter very much after all. The oil crisis is over, the Soviet Union is preoccupied elsewhere and there is little likelihood of a new war in the region. The Reagan Administration, after all, once thought Lebanon mattered, that it was vital to U.S. interests, then walked away and nothing too serious happened.

Mr William Quandt, a senior fellow at the Brookings Institution and one of Washington's foremost Middle East experts, believes that the Middle East may now be *fading as* a *U.S.* strategic pre-occupation in much the same way that South-East Asia did before it. The Middle East is now only the third or fourth most pressing U.S. foreign policy issue, well behind Central America, he says.

Today's opening of the *Geneva arms talks will certainly* attract far more national attention than Mr Mubarak's visit to Washington—and arms control in the months ahead is likely to place much greater demands on Mr Reagan's and Mr Shultz's time than the Middle East. Mr Mubarak will have to be at his most *persuasive if he is to make* much headway in the Oval Office this morning.

High stakes as Mubarak sits at Reagan's table

BY TONY WALKER IN CAIRO

WHEN Mr Hosni Mubarak, *President of Egypt, sits down* for talks in Washington today with President Reagan he will be playing for high stakes. Not only will Mr Mubarak be seeking urgently needed financial assistance, he will also be looking for more than ritual American endorsement of his efforts to revive the Middle East peace process.

Mr Mubarak has gone to Washington with his presidency at something of a crossroads. He is well distanced from the *chaotic last years of Mr Sadat's* rule and is credited with having restored a sense of order to the conduct of Egypt's *affairs*, but there are nagging doubts as to whether he is moving decisively enough to counter his country's many problems, not the least of these being the population explosion.

Egypt at times seems like a man on a treadmill who has to run ever faster to stand still. The accomplishments of Mr Mubarak's Government in providing new housing and dealing with the problems of urbanisation are praiseworthy, but with an extra million mouths to feed every 10 months the authorities are barely keeping pace with demand.

Like Israel, Egypt is heavily dependent on American assistance. In this financial year it is receiving about $2bn (£1.8bn) in civil and military aid, but Mr Mubarak is requesting an additional $865m to help Egypt fulfil *its five-year plan.*

In the financial year 1985-1986, Egypt is seeking a special allocation of $1bn in addition to the $2bn *already* earmarked. On top of that, the Egyptians want new arrangements to help cover payments on their almost $4bn military debt, on which they are some $300m in arrears.

An immediate injection of American funds is critical because of the slowdown in growth of Egypt's traditional sources of foreign exchange such as oil, Suez Canal dues, workers' remittances and tourism. The Egyptians have been talking to the International Monetary Fund about possible stand-by arrangements in case of balance of payments problems towards the end of this year.

Mr Mubarak has made a significant personal investment in his visit to Washington, arguably the most important to the American capital by an Arab *leader for several years.* Expectations have been raised by the publicity given to preparations for the visit.

Mr Mubarak's meeting *last* week at Hurghada on the Red Sea with King Hussein of Jordan was part of continuing attempts to generate momentum towards a renewed peace process and put pressure on the Americans. At the same time, Egypt's government-controlled Press has been full of articles and commentaries on the importance of Mr Mubarak's meeting with President Reagan.

In the past several weeks, a succession of Egyptian Cabinet ministers have passed through Washington to prepare the ground for Mr Mubarak's visit. These high-level envoys have included both Field Marshal Abdel Halim Abu Ghazala, the Defence Minister and Esmat Abdel Meguid, the Foreign Minister.

If Egypt were to get significantly less money than it is asking for and if U.S. encouragement is lukewarm for Mr Mubarak's peace plan, which calls for first-stage talks between the Americans and a Jordanian-Palestinian delegation (not necessarily including the Palestine Liberation Organisation) leading to discussions with the Israelis and eventually an international Middle East peace conference of all parties *to the dispute, the visit could* turn out to be a setback.

There is already a feeling in *certain circles* in Cairo that the nature of Egypt's relations with the U.S. is changing. "Egypt as a priority in U.S. policy is *diminishing*," said Mohammed Heikal, one of the Arab world's most prominent journalists and a confidant of late President Nasser. "They wanted to get the Russians out (of Egypt) and for us to go it alone with Israels. The problem is when you fulfil all you're asked to do you diminish your value."

Mr Mubarak's personal hold on power *appears secure* and his policy of moving Egypt forward along a democratic path (by comparison with surround*ing Arab states*) appears to have widespread support, but the success of his period in office rests on his ability to keep order while tackling a range of critical problems.

These include, apart *from* dealing with the population explosion, reducing subsidies on basic commodities and services that are a tremendous drain on resources and the main cause of serious structural imbalances in the economy.

Mr Mubarak may well find the years ahead the most difficult of his presidency. An unlikely leader of Egypt who came to power under difficult circumstances when President Sadat was shot in October 1981, he is judged to have done as well as could be expected.

"I think he's been a very good president for Egypt," said a Western official. "My doubt lies more with the Egyptian people than with Mubarak. They need a dream rather than reality. Mubarak is deliberately giving them reality and not a dream and I wonder if that's going to work in the long run."

OTHER OVERSEAS and AMERICAN NEWS

Sikh leaders released in India

THE INDIAN Government last night paved the way for a peace initiative in its troubled northern state of Punjab when it announced that six Sikh political leaders were being released from jail immediately, **John Elliott reports from New Delhi.**

They have been held since June when the Indian army took over the Golden Temple in Amrisar, which was the headquarters of Sikh extremists. Those released include Mr Harchand Singh Longowal, leader of Akali Dal, the main Sikh political party.

The move is likely to be followed by initiatives for peace talks aimed at reaching a permanent solution

Tanzania-IMF talks

The latest round of talks between the International Monetary Fund and Tanzania over terms for a proposed loan have ended without agreement, a Fund official said in Dar es Salaam yesterday, **reports AP.** The official, Mr Edwin Mtei, a former Tanzanian finance minister who is now a Washington-based director, said however that the gap between the two sides was narrowing.

Nkomati pact 'failure'

President Samora Machel of Mozambique has told other African leaders that he considers the Nkomati non-aggression pact signed a year ago with neighbouring South Africa to be a failure, African diplomatic sources said in Lusaka, **Reuter reports.**

Last Kampuchean base falls

KAMPUCHEAN guerrillas were driven out of their last major base near the Thai border yesterday by Vietnamese troops who launched heavy ground and artillery assaults, Thai military officers said, **Reuter reports *from Bangkok*.**

But the officers and diplomats said the setback was not a death blow to the cause of the guerrillas and that they could regain the upper hand by taking the fight deeper into the interior of Kampuchea.

A Thai army spokesman said that during the fighting for the base at Green Hill, Thai aircraft bombed and strafed 1,200 Vietnamese troops who had been inside Thailand trying to sieze Green Hill, also known as Tatum, from the rear.

Thai officers said guerrillas of the Sihanoukian National Army (ANS) abandoned their Kampuchean headquarters after holding out for a week against artillery barrages and Vietnamese infantry attacks.

An authoritative Thai military source said Prince Norodom Sihanouk gave the retreat order this morning to spare possible slaughter or capture of the camp's estimated 3,000 defenders.

The capture of Green Hill, the mountain stronghold of Prince Sihanouk, climaxed a dry-season offensive launched by Vietnamese troops in mid-November.

It marked the first time since they invaded Kampuchea six years ago that Hanoi's forces managed to overrun all the major border bases of the anti-Vietnamese Coalition Government *of Democratic Kampuchea.*

The events at Green Hill coincided with the arrival in Bangkok yesterday of Chinese President *Li Xiannian* for a five-day visit seen by Thai officials as a show of support for Thailand in its conflict with Vietnam.

Hanoi reschedules trade debts

BY CHRIS SHERWELL IN HANOI

THE COMMUNIST Government of Vietnam, which is heavily in arrears in its loan repayments to Western countries and governments, said it had succeeded in rescheduling some of its debt but has yet to reach agreement on payments due to the International Monetary Fund and Japan.

At a special press conference in Hanoi yesterday, Mr Tran Phuong, vice premier with special responsibilities in economic affairs, said that of the total $1.7bn debt incurred by Vietnam to the convertible currency area, about U.S.$600m was due by the end of 1984.

Agreement on a postponement had been reached with Libya and Algeria in the past year, he said, but negotiations were still going on with Japan, another major creditor. Vietnam also wanted a rescheduling from the IMF, but this had not been agreed.

The IMF last year recommended a devaluation of the Dong, Vietnam's currency, and Mr Tran Phuong confirmed yesterday that an adjustment would be announced this year after full discussion by the Government. The main official exchange rate is just under 12 to the U.S. dollar, but the black market rate is 370 and rising.

Vietnam, whose economy has been stunted by 40 years of war, is thought to be one of the world's few countries, if not the only one, which is so seriously in arrears on its repayments of IMF credits. As of May last year SDRs 10.2m (£9.1m) was overdue. At the same time Hanoi was $175m in arrears to Japan and $36m behind its payments to Libya.

The Government also owes the East bloc countries Roubles 4bn (£2.9bn), about three-quarters of it to the Soviet Union. But they have granted Hanoi's request for a postponement of repayments.

Vietnam, he added, did not want to repay its debt now because it needed to invest in export promotion projects in order to build up its foreign exchange position. Emphasis on exports has become a key element of more reformist policies introduced in the past three years.

Vietnam's foreign exchange reserves last year were estimated at only $16m, sufficient for two weeks imports. The minister insisted yesterday that the current figure was higher, but refused to give any details.

Extremists purged in Sudan

By Tony Walker in Cairo

President Jaafar Nimeiri of Sudan, whose country is afflicted by an economic crisis, a terrible famine and an insurrection in its southern region, has turned on the Islamic fundamentalist group, the Moslem Brothers, who until recently were his allies.

Mr Nimeiri at the weekend sacked Mr Hassan Turabi, leader of the Brotherhood, who was his foreign policy adviser, and dismissed other officials including three judges, who were close to the Moslem Brothers.

Sudan's President accused the fundamentalist group of plotting his downfall.

The idiosyncratic Mr Nimeiri, who has been Sudan's leader since he gained power in 1969, in a military coup, introduced Islamic Sharia law in 1983 in a move that drew him into an alliance with the Moslem Brothers.

Application of Sharia law which involved the banning of alcohol, and floggings and amputations for those convicted of crimes has caused widespread resentment, particularly in mainly Christian and Animist southern Sudan

Among those purged in Mr Nimeiri's drive against his former allies are Mr Osman Mohamed Taha, leader of the People's Assembly, and Mr Mohamed Adam Fisa, Minister of State at the Attorney General's Office.

Chile seeks softer IMF terms

BY MARY HELEN SPOONER IN SANTIAGO

THE devastating earthquake of March 3 has led the Chilean Government of General Augusto Pinochet to seek softer terms from the International Monetary Fund.

No official figure has yet been given for the earthquake damage but preliminary estimates suggest a cost of between $600m (£575m) and $1bn. The earthquake, the country's worst for 14 years killed 145 people and left as many as 200,000 homeless.

The damage estimates include emergency aid to the earthquake victims, demolition and repair of damaged buildings and restoration of port facilities along Chile's hard hit central coast. Demolition experts have calculated that between 70 per cent and 90 per cent of the buildings in central and western Santiago may eventually have to be demolished.

Sr Hernan Buchi, Chilean Finance Minister, and several central bank officials, arrived in Washington this week for a series of meetings with representatives of the IMF, the World Bank, the Inter-American Development Bank, the U.S. Export-Import Bank and the 12-member steering committee of Chile's *commercial* creditor banks.

Last month Chile reached a tentative accord with the IMF for a three year *extended fund* facility, based on an economic programme for 1985 entailing a 3.5 per cent fiscal deficit and the *maintenance of* Chile's international reserves at about $2bn.

Sr Buchi is likely to ask the *IMF* for greater leniency on these two points, in order to accommodate increased government spending for earthquake reconstruction.

Prior to the earthquake, Chilean officials had projected a 4 per cent growth rate in the gross national product this year, and a $1bn trade surplus.

Mexico sets date for debt deal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO HAS set March 29 as the signing date for its $49bn *(£46.6bn)* rescheduling pact with commercial bank creditors, the largest debt restructuring ever.

Completion at *the* weekend of months of complicated legal work on the deal comes amid signs that Mexico is also close to agreement with the International Monetary Fund on an economic programme for 1985.

Sr Jesus Silva Herzog, Finance Minister, told banks by telex yesterday that the text of a letter of intent to the IMF should be agreed "in the coming days."

However, he added that the procedural formalities still required by the IMF would mean that a rescheduling would be signed before the IMF's board can approve the economic programme.

Signing of the rescheduling deal is expected to pave the way for a $950m repayment of principal commercial bank creditors as well as a resumption of normal Mexican borrowing in private commercial markets.

Mexican officials have emphasised that, only after the rescheduling is complete, will they make the repayment from a $5bn credit arranged last year and consider a resumption of normal market borrowing.

However, bankers said they still expect Mexico to wait until all the formalities surrounding the rescheduling are completed before the repayment is made. It will not be simultaneous with the signing

The agreement to be signed on March 29 will be a framework one, followed by separate deals for individual state sector companies.

The signing process is expected to be lengthy as not all Mexico's more than 500 creditor banks are likely to sign on the same day.

News of progress in the difficult negotiations between Mexico and the IMF and of the signing of the rescheduling reassured bankers yesterday who had been worried about a possible worsening of the developing country debt crisis.

It offsets problems that have surfaced between Brazil and the IMF as well as uncertainty *generated* by changes in Argentina's economic team.

WORLD TRADE NEWS

India set to finalise £100m Sea Harrier talks with BAe

BY JOHN ELLIOTT IN NEW DELHI

INDIA IS expected to finalise negotiations with British Aerospace soon for the purchase of 11 Sea Harrier jump jets worth over £100m that will go into service with the Indian Navy in about four years.

Negotiations on the order, which might be accompanied by e large order for British-made See Eagle missiles for use on the Harriers, have advanced quickly with the Ministry of Defence in New Delhi in recent weeks.

This marks a significant improvement in relations between India and the UK following a diplomatic upset three months ago over the activities of Sikh extremists in Britain at the time of the assassination of Mrs Indira Gandhi, India's former Prime Minister.

India placed an original £50m order for eight Sea Harriers—six fighters and two trainers—in 1979, and these are now going into service et Goa with the Indian Navy.

The Ministry has been trying to persuade British Aerospace to lower its prices, arguing it has raised them too mnch above 1979 levels.

Negotiations between the Ministry and Westlands of the UK for three Sea King commando-type belicopters are also believed to bave reached an advanced stage. Together with a likely order for Sea King ancillary equipment, this could provide business worth over £20m.

But the Ministry has made little progress on the purchase for India's Oil and Natural Gas Commission of 21 Westland-30 helicopters that will be funded with £65m of UK aid.

A parallel order for six further Westland-30 hslicopters for use by the Government as VIP transport is also delayed.

Negotiations on all major contracts between the two countries were stalled three months ago when the Indian Government decided Britain was not doing enough to curb the activities of Sikh extremists in the UK.

Mr Rajiv Gandhi, the Indian Prime Minister, recently met Sir Robert Wade-Gery, UK High Commissioner in Delhi, and told him that there was no rift between the two countries.

This message is being communicated by Mr Gandhi's office to major Government departments which have been assuming it would be politically unwise of them to do major deals with British companies.

A visit to India by Mr Michael Heseltine, the Defence Minister, which fell foul of the rift, is likely to go ahead later this year, along with a visit by Mr Norman Lamont, Minister of State for Industry.

Mr Nicholas Ridley, the Transport Minister, is also expected to visit India soon.

Kenya Airways 'opts for Airbuses over Boeings'

KENYA Airways has decided to buy two European Airbus A-310-300s rather than costilier new aircraft from Boeing of the U.S. to replace its ageing Boeing 707s, officials said, Reuter reports from Nairobi. Cost of the purchase will be $133.3m (£120m). Boeing, the main competitor to the Airbus Industrie consortium, had offered two Boeing 767-200s for $144.5m officials said. The 210 seat jetliner, is expected to be operational in time for delivery in April 1986.

● The U.S. Export-Import Bank will guarantee about $140m in private loans to All-Nippon Airways (ANA) of Japan for the purchase of eight Boeing 767-200 jet airliners, AP-DJ reports from Washington.

The privately-owned Japanese domestic airline will pay Boeing nearly $312m for the eight airliners to be delivered this year, and it plans to buy four more for delivery over the next two years.

ANA will make a cash payment fo $172m for the eight airliners, and will arrange loans in U.S. dollars or other acceptable foreign currencies from private financial institutions to complete the financing arrangements, the Eximbank said.

Motorola chief warns on 'offshore deployment'

By Louise Kehoe in San Francisco

THE U.S. manufacturing sector is being forced into "greater offshore resource deployment because of Washington's erratic trade policies," says the head of one of the country's major electronic multinationals.

Mr Robert Galvin, chairman of Motorola, said that the company had not been successful in persuading the Government to adopt corrective policies.

Motorola "will continue to increase the allocation of our product development and manufacturing resources to non-U.S. sites that provide better competitive conditions," he said in the company's annual report released this week.

Motorola's threats are not without teeth, for the company has announced plans for a major semiconductor manufacturing plant in Taiwan, with an initial investment of $48m (£43.6m) possibly rising to $100m.

Mr Galvin said U.S.-based industries suffer a significant disadvantage to competitors located elsewhere, particularly in the Asia-Pacific region.

The value of the dollar, the cost of capital, direct and indirect costs of labour were influential factors. Competition itself was generally tilted with easy access given to foreign participants in U.S. markets "while U.S. producers continue to confront a variety of impediments to participation in corresponding foreign markets," be said.

Motorola, with worldwide sales of $5.5bn last year, has a history of trade disputes with Japanese electronics concerns and is promoting a temporary import surcharge of 20 per cent on manufactured imports.

The company recently filed an anti-dumping action against Japanese manufacturers of cellular car telephones, claiming they were being sold in the U.S. below fair value.

Two years ago, the company won a judgment against Japanese makers of pocket pagers, who were found to have illegally dumped products on the U.S. market.

Bernard Simon in Toronto examines a long-standing licensing row

Drug groups press for protection

A 16-YEAR-OLD dispute between multinational pharmaceutical companies and the Canadian Government is likely to come to a head soon when Ottawa responds to a recent report by a commission of inquiry into the local pharmaceutical industry.

The Eastman Commission, eaded by a Toronto economics professor, bas a wide brief to review official policy on pharmaceuticals, and much of its report is expected to deal with ways of expanding local research and development.

But most interest in centred on the commission's view of the contentious "compulsory licensing" system that has eroded foreign drug makers' patent protection and dampened many companies' enthusiasm for doing business in Canada.

Ths compulsory licensing controversy will be raised by President Ronald Reagan when he meets Mr Brian Mulroney, the Canadian Prime Minister, in Quebec City on March 17.

The British Government, as well as the EEC bave intsrceded on behalf of the multinational pharmaceutical companies in the bope of persueding Canada to soften, if not abolish, compulsory licensing of drug production.

The Commission's recommendations, which are still secret, were handed to the Minister of Consumer and Corporate Affairs last month.

Introdnced in 1969 in an effort to reduce local medicine prices, the compulsory licensing procedure forces foreign-based pharmaceutical suppliers to licence Canadian manufacturers to produce their patented prescription medicines in exchange for a 4 per cent royalty fee.

Canada's laws normally protect patent holders for 17 years, but the compulsory licensing system enables local companies to apply for manufacturing rights within two or three years of the drug coming on the market.

More than 300 licenses have been granted since 1969 for such well-known drugs as Smith Kline Beckman anti-ulcer Tagamet and, more recently, Miles Laboratories' Adalat, prescribed for cardiac problems.

Mr Ian Anderson, who beads the Canadian subsidiary of Fisons of the UK, says that local manufacturers "only pick off the easy targets. They don't go for the smaller-volume products."

The multinationals' complaints are growing louder as the practice of compulsory licensing expands. Almost half the applications from Canadian generic manufacturers in the past 16 years bave been submitted since mid-1983.

Adalat was licensed to a local company just 30 months after coming on to the market, and Canadian manufacturers have begun applying for licences on products even before they are marketed in the country.

According to the multinationals, the normal practice of generic manufacturers is to wait a few years to allow the foreign company to establish the product in the market.

U.S. and European drug companies are also concerned at recent moves by generic manufacturers to export cheap, Canadian-made medicines to other countries with weak patent laws. Saudi Arabia and some African countries are mentioned as examplss.

A few multinationals have demonstrated their displeasure tangibly. The policy prompted Hoffman-La Roche of Switzerland to close a manufacturing facility outside Montreal three years ago, and contributed to Ayerst Laboratories' decision to move its main research and development centre from Canada to the U.S. state of New Jersey.

SmithKline's Canadian subsidiary has threatened to halt production and cease registering new products in the country if the system is not modified.

According to Mr William Robson, president of Smith Kline's Canadian subsidiary, compulsory licensing now accounts for 87 per cent of sales and the company's products in Canada.

Mr Robson told the Eastman Commission that "it has been tempted simply to abandon our fully-integrated operation in Canada and resort to importing."

Measures and threats to curb investment in Canada are not decided lightly since the country is estimated to be the world's ninth biggest market for pharmaceuticals. The Canadian prescription drug market is worth roughly C$1.2bn (£800m) a year.

Some observers say the Government is unlikely to dismantle the compulsory licensing system altogether. A possible compromise may be an increase in the royalty fee paid by local manufacturers.

The Canadian authorities recently froze new licence approvals for 120 days in an effort to persuade generic manufacturers to agree to a compromise.

The generic drug companies' arguments strike a sympathetic note among Canadians concerned at the high level of foreign control of local industry and the limited amount of research and development and raw materials synthesis carried out by foreign pharmaceutical companies in the country.

According to the Canadian Drug Manufacturers Associetion, which represents the interests of the generic industry, compulsory licensing belps create a viable indigenous pharmaceutical industry, promotes competition, and holds down medicine prices.

In a 1983 study, the association estimated that Canadian consumers saved C$10m (£6.6m) on Tagamet purchases that year thanks to generic manufacturers competition with Smith Kline.

Eximbank's Mexico, Brazil special credits to expire

WASHINGTON—The U.S. Export-Import Bank's special trade credit programmes totalling $2bn (£1.8bn) for Brazil and Mexico, launched with considereble fanfare in late 1983, are scheduled to expire et the end of this month.

Neither Latin American country has made much use of the special arrangements, which totalled $1.5bn for Brazil's purchase of U.S. exports and $500m for Mexico.

"It looks like they will not be extended," an Eximbank official said.

Until last December 31, the Eximbank provided loan and export insurance guarantees totalling only $41.2m under the special facility for Brazil, or abont 2.7 per cent of the amount available

Mexico has made use of about $28.8m, or less than 5.8 per cent of the $500m trade credit guarantees.

However, U.S. officials do not regard either the Brazilian or the Mexican programme as a failure.

The special arrangements, authorised when the international financial community was worried about the ability of both countries to deal with external debt problems, provided "psychological inducements" for commercial bankers to confinne lending to Brazil and Mexico, an Eximbank official commented.

AP-DJ

Jamaican ethanol plant faces U.S. market blow

BY CANUTE JAMES IN KINGSTON

A $20m (£18m) ethanol plant begins production in Jamaica this week under the threat of a loss of the U.S. market for which it was built.

The plant, a joint venture between Shell Petroleum of Britain and Tropicana Petroleum of California, will produce 20m gallons a year to be used as an octane booster in the U.S.

However, a Bill introduced last week in the U.S. Senate seeks to impose a 60 cents a gallon duty on imported ethanol.

The plant was predicted on duty free entry to the U.S. under the Reagan Administration's Caribbean Basin Initiative — a 12-year programme under which a range of regional exports can enter the U.S. duty free.

The plant is the largest investment to date under the initiative which became effective in January, 1983.

Mr Edward Seaga, Jamaica's Prime Minister, said the plant was based on duty-free access to the U.S.

The plant will initially use beverage-grade alcohol imported from Spain, and is expected by 1987 to get all its beverage-grade alcohol from Jamaica and other Caribbean countries.

The investment is hoping to cash in on the growing use of ethanol in the U.S.,

Quito likely to sign 20 oil search contracts

By Robert Graham

ECUADOR EXPECTS to sign up to 20 oil exploration contracts over the next two years, according to the Ecuadorian Oil Minister, Sr Javier Espinosa.

This would mean a minimum investment in exploration of $1bn (£909m) by foreign companies, he said.

Sr Espinosa was in London last week talking to oil company representatives to stimulate interest in Ecuadorian oil exploration following a major liberalisation in the laws governing concessions.

Sr Espinosa saw representatives of 15 companies, including BP, having the previous week talked with 27 different companies in Houston, Texas.

Ecuador, one of Opec's smallest producers, currently has an output of 270,000 b/d, but its reserves are depleting and new discoveries are needed to sustain existing levels of exports and meet domestic demand.

The Ecuadorian Government is hoping to capitalise on renewed interest by the oil companies in the Pacific Coast countries of Latin America, following the disappointing results of the oil exploration programme in China.

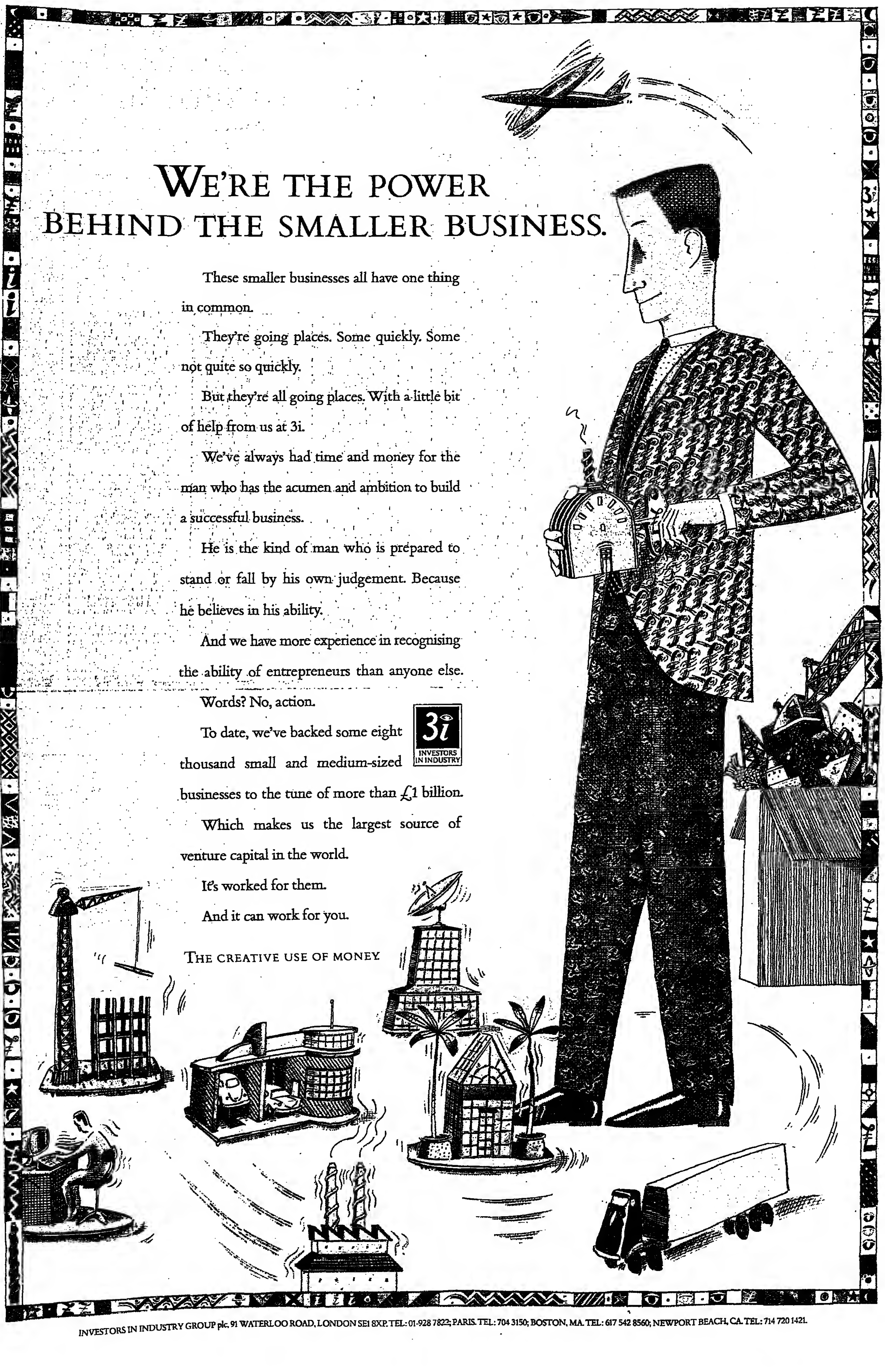
So far, 16 companies have bought the country's latest oil information package costing $50,000.

At the end of January, Occidental signed the first of the new risk contracts offered by the Government. Sr Espinosa says he expects a similar contract to be signed within a month by Exxon, also for acreage in the Amazon, and later, another with Belco.

After this, the Government plans to offer four blocks in each round of bidding since it does not have the resources to cope with more simultaneously. The minimum investment will be $50m.

"We must enter aggressively into exploration," Sr Espinosa said. "We need to double our reserves in order to keep up our current level of exports through to the year 2010."

Ecuador is currently selling its crude at $26.50 per barrel on 30-day contract.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INTERNATIONAL UNIONS

Multinationals turn the tables

By Brian Groom

IN THE SPRING of 1973 executives at Eastman Kodak, the U.S.-owned photographic products company, heard an internal talk on labour relations. "Today our biggest fear," the speaker told them, "is the international trada union movement. Its long-term objective is to have full collective bargaining with multinational corporations."

Twelve years on, that seems laughable. International bargaining remains a distant union dream, while the growth of multinationals' sophistication has outstripped tha desperate efforts of unions to match their strength.

Little impact has been made by Governments, let alone unions, on companies' freedom to open and close plants, switch investment between countries, and wield economic and political influence.

Despite the hostile climate, however, unions are still trying to take on tha Goliath.

- Unions representing Ford workers in Britain, West Germany, Spain, Belgium and Portugal are threatening to support industrial action "up to and including occupation" if Ford closes a European plant.
- A rare success has been achieved in saving a Coca-Cola bottling plant in Guatemala City from closure after a 12-month occupation and a campaign by the International Union of Foodworkers which involved strikes at Coca-Cola plants in Sweden, Norway and Mexico, along with short stoppages in Italy and a consumer boycott in the U.S.
- At Kodak itself, a "European Kodak Workers' Conference" has been pressing—unsuccessfully—for talks on investment plans and lobbying the EEC to investigate the company, in response to fears that Kodak is systematically running down plants across Europe.
- Shopfloor representatives have been trying to develop international links, with mixed results, in companies like Unilever, Philips, ICI, Talbot and Merck.

It is hardly surprising that unions, on the retreat even within their own countries, hava failed to scare the multinationals. But companies are keeping a wary eye open—knowing that the growth of multinationals leaves unions no option but to carry on trying to operate internationally.

Multinationals now employ 45m people—40m in the main industrialised countries, where they account for one-third of both manufacturing and service employment. In Britain, one in every two people in manufacturing works for a multinational company.

A French protest—near Montlucon—against lay-offs by the multinational tyre company

Even Scandinavian employers are giving international bargaining the cold-shoulder. Danish, Finnish, Icelandic, Norwegian and Swedish employers' federations have drawn up a code which urges companies to keep even consultative meetings within national boundaries, and not to accept institutionalised contacts with international union bodies. If that is the attitude of the liberal Scandinavians, it will hardly be softer elsewhere.

Unions claim that multinationals are not only integrating production between countries, but becoming more sophisticated in their ability to shop around for cheap labour. American Airlines and Bank of America, for instance, ship cartons of data forms to Barbados and Brazil to be keyed into computer terminals, and then relayed to central records offices by satellite. Clerical workers cost $1.60 an hour in Barbados, compared with $9 an hour in New York.

Smith Corona, the U.S. office equipment maker, has taken shopping around a step further: instead of moving factories, it is shifting the workers. It is bringing 149 young, unmarried South Korean women with "impressive discipline" to work at its Singapore plant, for undisclosed wages, living in company lodgings.

Unions complain that multinationals can weaken national union action by transferring production overseas during strikes, threatening to move permanently to cheaper countries, preventing union access to head offices, and dividing the workforce by giving selective information designed to set plant against plant and country against country.

The union response takes two distinct forms: international trade secretariats like the International Metalworkers' Federation, and networks being set up by shopfloor activists in a growing number of companies.

The international secretariats are industry-based confederations of national unions, mainly founded around the turn of the century. They cover 15 industries, including mining, metalworking, chemicals, agriculture, food, transport, and white-collar workers.

Their activities range from *providing information to transferring funds* in support of strikes, and they have set up 60 "world company councils" in companies like Unilever, Ciba Geigy, Ford and General Motors. There have been some successes—like Coca-Cola—but even supporters admit the secretariats' record has been mixed.

Critics say they are bureaucratic and cumbersome, and that many lack shopfloor involvement.

Most follow tha West's International Confederation of Free Trade Unions in excluding unions affiliated to the East Bloc's World Federation of Trade Unions, including France's CGT and Spain's Workers Commissions, which can leave holes in company-wide organisations.

Outside the secretariats—and aimed partly at gingering them up—are the unofficial networks. Their long-term aims are: to exchange information; take solidarity action, such as banning overtime in the event of disputes in other countries; coordinate campaigns; and carry out regional or company-wide bargaining. But it is a slow process.

That in itself can be a headache in companies like Unilever, which has more than 300,000 workers in 75 countries. The Unilever Workers' Information Network has held meetings of British, Dutch, Belgian, Indian and Pakistani workers, but arranging interpreters and translators is a monumental task.

The Ford of Europe's Workers' Committee has been striving to get beyond the information staga. It claimed one success in 1983 when—after pledges of solidarity—Ford did not try to raise output at Dagenham, England, to compensate for lost production caused by a strike for shorter hours and more jobs at Genk, Belgium.

But for tha most part, the history of the Ford committee, as of others, has been one of trying to strengthen international links in response to failures. In the early 1980s it failed to stop Ford closing its Amsterdam lorry plant, in spite of refusal to accept transferred work by trade unionists in the UK.

Conflicts of interest between workers tend to plague solidarity efforts. Tha progress of an international committee at Talbot, for *instance, has been hindered* by tension between French and Spanish unions over exports from Spain into France at a time when the French workers are losing jobs.

Rowntree Mackintosh stewards at Halifax, England, found that pledges of a common front from CGT stewards in France were not enough to stop the company running down employment at Halifax and increasing production at Dijon. Workers at each plant saw their counterparts in the other as a threat to job security.

In theory, unions can use codes issued by the Organisation for Economic Co-operation and Development and the International Labour Organisation as a lever on multinationals. These urge them to show a positive attituda to union work, provide information on the whole company, promote job security, and not threaten to transfer output abroad during strikes.

But they are non-binding, and unions say they are widely flouted. The most they are useful for is to generate publicity, as Britain'a Trades Union Congress tried to do over the closure of a Caterpillar plant, and *Dunlop'a sale of UK manufacturing* operations to Sumitomo of Japan.

What really alarmed the *multinationals—and* provoked strong opposition in the UK—were two proposed compulsory measures by the EEC: the Fifth Directive on worker representation and, especially, the Vredeling Directive, which would give information and consultation rights to workers in multinationals.

The original Vredeling plan would have applied to companies with at least 100 employees in more than one subsidiary in the EEC. Information would have had to be provided every six months. Decisions "substantially affecting" workers would have had to be communicated 40 days before implementation, and consultation held "with a view to reaching agreement on the measures planned." *These proposals have now been* watered down. The size of the threshold has been raised to companies with 1,000 employees; information now has to be supplied annually; scope for retaining secret information has been introduced; a clause giving workers access to central management has been dropped; and mandatory consultation prior to decision-taking has been changed to consultation before actual implementation.

Unions say that codes and EEC *controls are no substitute* for strong workers' organisations. But so far these have not emerged to anything like the degree they would wish.

INTERNATIONAL FINANCE

Patrick Blum on issues arising from profit-margin cuts

Austrian banks try self-regulation

AUSTRIAN BANKS have decided to limit cut-throat competition by self-regulation in the latest of several attempts to improve profit margins. If the move fails, there will be, many bankers believe, no alternative to direct Government intervention and changes in the banking law.

Austrian financial institutions suffer from some of the lowest profit margins in their field in Organisation for European Co-operation and Development countries. In the late 1970s and early 1980s, operating costs soared, while provisions against foreign lending strengthened considerably. Several domestic developments further aggravated matters. By 1983, the banks' capital base had deteriorated to the extent that the ratio of capital to lending had fallen to 2.5 per cent from 3.8 per cent in 1973, reaching abont half the level 20 years earlier.

The *agreement, taking effect* this month, seeks to regulate lending and borrowing rates, curb "unfair" advertising practices and to establish sanctions against breakers of the agreement. No loans ara to carry *interest below* the rate at which the Government borrows. This rate currently stands at 8¼-8¾ per cent.

Rates paid on deposits are to be structured more closely in line with the maturity of the deposits. For the time being, the minimum rate is 4 per cent, the maximum 6.5 *per cent. The one exception is* for five-year term deposits, which may be as much as one percentage point below the prevailing long-term bond rate, now at 8¼ per cent.

Advertising interest rates will be banned. Banks breaking rules introduced will face fines of up to Sch 300,000 (US$12,500) to be decided npon by a special arbitration court.

Whether the pact will work *is open to question* but agreement is widespread that something had to be done. There are several problem areas.

The most important has been the impact of the 1979 banking law which, in effect transformed all credit institutions of any size into universal banks on the West German and *Swiss models*. The new law abolished controls on interest rates and on setting up new branches, releasing an expansionary impetus which cut into profit margins. "The National Bank watched with growing concern the rush to open new branches and to move into areas of business for which at times the newcomers were ill-prepared.

THREE CHAIRMEN: Left—Dr Hannes Androsch, of Creditanstalt-Bankverein, Austria's largest bank, and a former Finance Minister; Centre—Dr Karl Pale, of Girozentrale, the umbrella bank of the Austrian savings banks; Right—Dr Hans Haumer, of Erste Oesterreichische Spar-Kasse, one of the leading savings banks, whose view is *"Deregulation just went too quickly"*

The results bit deeply. A recent np-date to an original study made in 1980 by *the* OECD on cost and margins in banking shows that profit before tax for Austria's joint stock banks fell by over 22 per cent, from Sch 1.53bn in 1979 to Sch 1.19bn in 1980. It recovered *slightly in the following two* years, to Sch 1.51bn ($63m) in 1982, still lower than before the law was introduced.

Total operating costs (staff costs and other operating costs) rose rapidly—increasing by 33.3 per cent between *1979* and 1982 for the commercial banks, and by 37.6 per cent between 1978 and 1981 for the savings banks.

Much of this can be attributed to the expansion of branch networks. The number of branches run by the commercial banks grew from 515 in 1979 to 700 in 1984. Savings bank outlets increased from 835 in 1978 to 1,145 in 1984.

"Deregulation just went too fast," says Dr Hans Haumer, chairman of Erste Sparkasse, one of the leading saving banks. But Austria's banks were beset by other problems.

Just as the initial rush appeared to be subsiding, the Government entered into a prolonged and damaging discussion on introducing a new flat rate tax on interest paid on bonds and deposits. *The discussion* and subsequent introduction of this tax at a rate of 7.5 per cent on January 1 of last year came with a sharp fall in savings and a marked lack of lenders' enthusiasm in the *capital market*.

Dr Haumer says that although savings have picked up since 1983, they do not cover demand for loans. In 1984 saving deposits increased to Sch 52bn including interest *credited of Sch 37m. In 1983,* savings deposits increased by Sch 28bn but, disregarding interest payments worth Sch 36m a reduction resulted.

The tax caused other problems. Herr Klaus Peschek, senior general manager and chief financial officer of Creditanstalt Bankverein, Austria's largest bank, says that the tax played a major role in encouraging a steep increase of the so-called industrial clearing-companies lending *their* surplus liquidity directly one to the other, rather than involving the banks.

The procedure avoids the interest tax, which is leased only on interest paid by credit institutions. By resorting to industrial clearing, companies can borrow short term money at cheaper rates or get a better return on *their lending* by *short*-circuiting the banks.

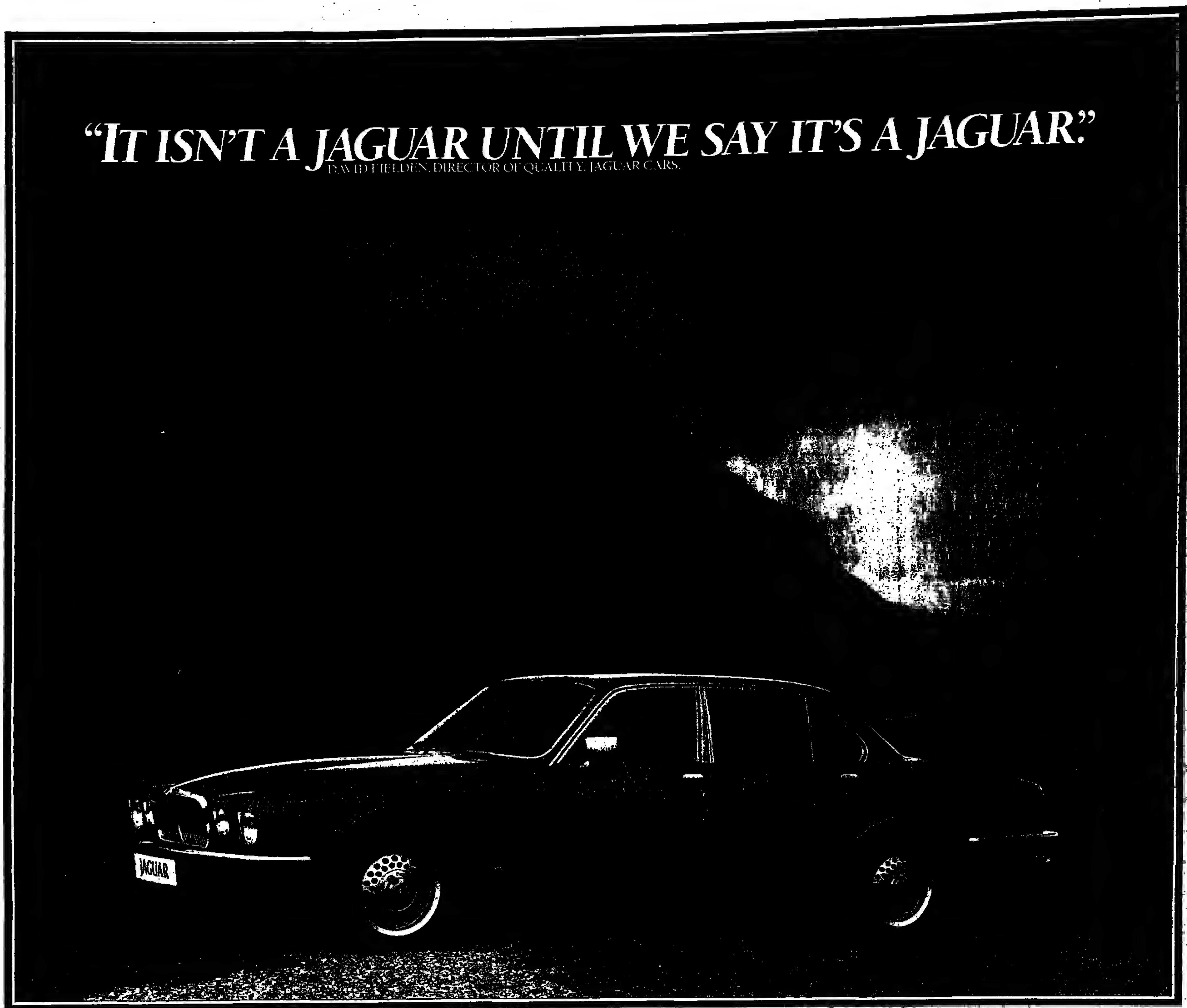
For the banks it has meant a considerable loss of business and revennes. Accurate statistics are not available, as companies do not disclose their transactions, but *Herr Peschek* believes that at its highest point last summer the sums involved could be estimated at between Sch 15bn and Sch 25bn.

Industrial clearing seems to have declined in recent months, possibly as a result of the reduction of the interest tax to 5 per cent by Dr Franz Vranitzky, the Finance Minister appointed in September. The move was designed to help the flagging capital market and ease pressure *on the banks, but it is still* too early to assess its impact.

Dr Vranitzky and Professor Stefan Koren, the Austrian National Bank President, have also exerted some pressure on the banks to put there own bouse in order. Although some senior bankers say that the recent agreement was not dictated by the Ministry, it is an open secret that the Finance Minister was eager to see some changes made to banking practices.

Dr Haumer believes that the agreement will work. "I think," *he says, "that it will stick,* for a time at least, because the Finance Ministry and the National Bank want it to work. Everybody realises that things couldn't go on as they were."

But not everyone is as optimistic. *Similar agreements have* broken down before. The next few months will be a test. If banking practices improve, there will probably not be a case for changing the law. He says: "If not then we can expect very *soon to have a political discus*sion about the law and swift action in changing the rules."



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UK NEWS

Manufacturers' costs rise 9.5% in year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

INFLATIONARY pressures intensified in February when prices paid by manufacturers for fuel and materials were 9.5 per cent higher than a year earlier. This compared with an annual rise of 8.8 per cent in January and 6.9 per cent in the 12 months to September.

In the three months to February, costs rose at the equivalent of an annual rate of 24 per cent, although this partly reflected seasonal factors. The cost of materials has risen at an annual rate of 13½ per cent in the latest six months.

This steep rise, which compares with a 5 per cent inflation rate for retail prices, reflects the depreciation of sterling during the past year.

The recent increased pressure on manufacturers' fuel and materials costs underlines one of the major anxieties faced by Mr Nigel Lawson, the Chancellor of the Exchequer, as he puts the finishing touches to next week's budget.

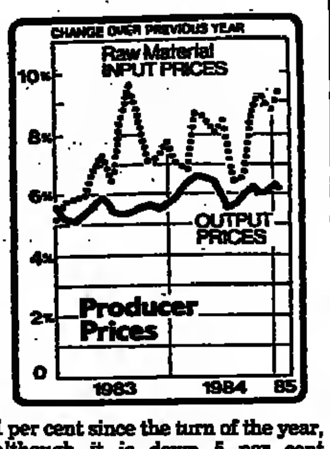
In January he decided that the inflationary danger from sterling's weakness was so great that he authorised a 4½ percentage point rise in bank's base lending rates to 14 per cent to defend the currency.

Since then, sterling has looked steadier but not particularly strong. For this reason, a major strand of Mr Lawson's budget strategy next Tuesday is expected to be reassurance to the markets that his anti-inflation zeal is undiminished.

Yesterday's figures from the Department of Trade showed a rise of 1.2 per cent in manufacturers' input prices between January and February, largely because of dearer petrol. Input prices have risen at the equivalent of an annual rate of 24 per cent in the latest three months

Some but not all of these recent rises can be attributed to seasonal factors, including increases in electricity tariffs. The buying price of materials alone rose at an annual rate of 12½ per cent in the latest 3 months.

This probably reflects the fall in sterling last year; the Sterling Index against a trade-weighted basket of currencies has fallen by only 1 per cent since the turn of the year, although it is down 5 per cent against the dollar.



In the last year, however, sterling's index has fallen by 11½ per cent, while its value against the dollar is 25 per cent lower. So far manufacturers appear to have been relatively successful in absorbing at least some of the rise in input costs through higher productivity.

Retail sales up 1% in February

BY OUR ECONOMICS CORRESPONDENT

RETAIL SALES rose by 1 per cent in February after an apparent slump at the turn of the year, according to the latest official figures out yesterday.

Provisional estimates from the Department of Trade and Industry showed the index for the volume of retail sales rose from 112.8 in January to 113.9 last month (1980=100).

This was well below the seasonally adjusted figure of 117.0 for December. The volume of sales in the three months to February was ½ per cent higher, however, than in the previous quarter and 4½ per cent higher than in the same period a year ago.

The latest figures suggest that the underlying trend of retail sales is still upwards, though at a slower rate than in the later part of 1984. This is supported by the most recent survey of the retail trades by the Confederation of British Industry in conjunction with the Financial Times. This showed that retailers were continuing to expect a rise in sales compared with a year ago.

David Churchill writes: Retailers report that trade in recent weeks has started to pick up after the post-Christmas sales slump. Boots, the chemist retailing chain, says that retail sales are "quite buoyant."

Prism receiver fails to find buyer

BY JASON CRISP

THE RECEIVER of Prism Microproducts, at one time the largest distributor of Sinclair Research computers, has failed to find a buyer and most of the employees have been made redundant.

In addition a planned management buyout of another subsidiary, Wren Computers, has fallen through and the subsidiary was sold to another company at the end of last week. The decision has resulted in a row between Mr Martin Leicester, managing director of Wren, and the receiver, Mr Stephen Adamson, a partner in Arthur Young, the accountants.

Prism Microproducts went into receivership at the end of January. It was the largest subsidiary of Prism Technology, a fast-growing company with sales of £30m in the last financial year. The company had grown largely through the distribution of Sinclair home computers and at one time accounted for a substantial proportion of Sinclair Research turnover.

The receiver gave up trying to sell Prism Microproducts when it became clear that Sinclair Research would not renew the distribution agreement which accounted for over 85 per cent of its business. Last week 60 employees were made redundant.

More UK parts in Rover for European market

By Kenneth Gooding, Motor Industry Correspondent

AUSTIN ROVER, the volume car subsidiary of the state-owned BL vehicles group, has boosted considerably the UK content of the model it makes under licence from Honda of Japan – the Rover 200 series – and has launched it nn the Continent for the first time.

Today it introduces a version of the small Rover with its own 1.6 litre "S" series engine first used in the Montego launched last year. The Rover 216 model will have a UK content (by ex-factory value) of 83 per cent, compared with 70 per cent for the Rover 213, which has a Honda engine imported from Japan.

Austin Rover promises that later this year the British content will increase to 88 per cent for the 216 and to 75 per cent for the 213. The main components which will continue to be sourced in Japan are the suspension, gearbox and fascia.

The local content statistics are important because Austin Rover hopes to do well with the Rover 200 series in France and Italy – where first deliveries are being made this week. These countries restrict imports of Japanese cars.

The Rover 200's predecessor, the Triumph Acclaim, initially had problems with the Italian authorities before they acknowledged that it was an "EEC" car.

The enlarged Rover 200 series will be introduced gradually to other major Continental car markets after the launch in France and Italy. Triumph Acclaim sales on the Continent were about 10,000 a year, and Austin Rover expects the Rover 200 to do better.

Under the terms of the deal Honda collects more than £30m a year from the arrangement.

GENERATING BOARD MAY SWITCH SOME BUSINESS TO ROAD AND WATERWAYS

Rail may lose coal contracts

BY WALTER ELLIS AND JOHN LLOYD

THE CENTRAL Electricity Generating Board (CEGB) – which is known to have been greatly impressed by the efficiency of road hauliers during the miners' strike – is now looking seriously to road and canal operators as long-term transporters of coal to power stations, alongside British Rail.

It has been known for some time that the CEGB is unhappy about its reliance on British Rail for most of its coal. Yesterday, however, the board said it was essential that it should enjoy security of supply and that all options were now being considered in the light of the "given failure of British Rail nver the last 12 months."

An official of the CEGB said: "We need to supply electricity and ensure supplies to customers at the most economical price. This could mean lorries, of course. It could mean canals. It all depends."

The board is concerned about the fact that railway unions would not even sanction the transport of coal from areas which were working during the strike. Most of the coal that was moved over the 12 months of the dispute was shifted by lorry, and Sir Walter Marshall, chairman of the CEGB, is reliably understood to have been delighted both hy the attitude nf the companies and drivers involved and hy the economical prices charged – in some cases as much as 50 per cent below those of British Rail.

A number of lorry operators who switched to CEGB work during the strikes claimed that power station managers were well satisfied with the service provided and had expressed the wish that road transport be used in future. Now, those same operators will be encouraged to press home their bids.

British Rail said yesterday that talks would shortly take place with the CEGB, but it said it was sure it could regain customer confidence and meet the hauliers head-on on competitiveness.

The CEGB noted that British Rail was well aware of the review of options. It cannot be excluded that the railway board is hoping to use the road option as a lever to force down BR prices.

One "alternative" contract which has already been awarded has gone to the British Waterways Board, which has agreed to transport some 500,000 tonnes of coal a year from North Yorkshire and the North East of England to Thorpe Marsh power station, near Doncaster.

The coal would be transported in privately-operated barges via canal, using the Sheffield and South Yorkshire Navigatinn – recently revamped at a cost of £16m – as the point-of-entry to Doncaster.

Doncaster Borough Council has refused planning permission for a road improvement that would complete the link. The council has argued that jobs would be lost on the railways and in the mines and beleives that in the long term imported coal would be brought in by the waterway route.

The CEGB denies that foreign coal would be part of the deal.

● Mr Ian MacGregor, the National Coal Board chairman, has written to all miners telling them that they must call off their overtime ban before pay rises will be considered. He says: "When normal working has been restored, management will discuss and settle important issues with your representatives, including your pay now and for the future."

In the House of Commons, Mr Peter Walker, Energy Secretary, faced hostile questioning from Labour MPs on remarks made by Mr MacGregor in an interview over the weekend that miners were "now discovering the price of insubordination. Mr Michael Foot condemned the remarks as "disgraceful" while Mr Roy Mason said that they were "the remarks of a foolish and angry old man."

Discussions are continuing throughout the coalfields on amnesty for sacked miners – with every prospect that upwards of 300 from a total of 766 will be re-employed.

Miners' leader attacked

Mr Mick McGahey, the Scottish miners' leader, was beaten up by two men over the weekend and has been confined to bed. He suffered injuries to his nose and ribs, and his eyes were blackened. The attack occurred shortly after he had returned to his home near Edinburgh from Perth where he had talks with Mr Neil Kinnock, the Labour leader.

Two men attacked him in the darkness. Mr McGahey said he thought his attackers were "hit men." He received rough treatment last week from miners who opposed the Scottish union's decision to return to work. He was pushed and spat at after a delegates meeting which overturned an earlier decision to stay out on strike and negotiate for an amnesty for 180 men in Scotland sacked during the dispute.

Labour tries to defuse property tax row

BY ROBIN PAULEY

THE LABOUR Party moved swiftly yesterday to try to head off deepening splits and recriminations after the Greater London Council set a rate (property tax) below the limit set by the Government. By so doing, the GLC fell into line with the Government's hardline policy of curbing high-spending councils.

The GLC and the Inner Londnn Education Authority (ILEA), as rate-capped upper tier councils, were nbliged to fix a rate within the Government's prescribed maximum by March 10 under the controversial Rates Act 1984.

The split between two groups of GLC Labour leftwingers meant that proposals for both no-rate and the legal maximum rate of 36.5p in the pound were defeated, letting in a compromise rate of just under 34p which represented a budget £55m lower than the Government's permitted maximum.

The immediate concern of the national Labour Party was to stop any political bloodshed. Mr John McDonnell, GLC deputy leader and finance committee chairman, had been expected to resign immediately after the no-rate campaign failed because his position was widely regarded as untenable. He did not resign and yesterday cancelled interviews, remaining in angry seclusion. However, he was under great pressure from the London Labour Party not to resign.

On the other hand the trade unions, which have the greatest voting strength in the London Labour Party, could well call for the resignation of some of the leftwingers who dropped the no-rate line, particularly Mr Ken Livingstone, the GLC leader. No-rate was London Labour Party policy in response to the Government's rate-capping legislatinn. National politicians including Mr Neil Kinnock, Labour's leader, have always urged councils to stay within the law.

Mr Larry Witty, the Labour Party general secretary, was to the fore yesterday of those anxiously trying to prevent all resignations or calls for blood. Significantly, today's meeting of the GLC Labour group, which was certain to have been an acrimonious affair, has been put back until next week.

The key problem for Labour is how to regain the propaganda initiative over rate-capping. The public splits and failure of councils to deliver their pledges of defiance have caused jubilation among government ministers. Mrs Margaret Thatcher, the Prime Minister, said she was "delighted" at what happened. Mr Patrick Jenkin, Environment Secretary, said Mr Livingstone's credibility as a political leader had been destroyed, and Mr Livingstone admitted yesterday that the Tories had been in effective control in County Hall during the rates debate.

The chaos poses a severe problem for the eight rate-capped London boroughs which have agreed not to set a rate. They, and not their ratepayers, are liable to hand over the sums due under the GLC and ILEA precepts whether or not the borough has a rate.

Meanwhile, two High Court judges decided it would be "useful" to continue the hearing of a case in which the GLC and ILEA are challenging the Government

UK NEWS

Brussels asks for venture capital study

BY WILLIAM DAWKINS

THE EUROPEAN Commission has asked Granville & Co, the London-based licensed securities dealer, to set up a pilot study with a view to forming a European venture capital fund.

Mr Ernest Bachrach, a director of Granville, said yesterday that the fund – to be called Euramtech Venture Capital – was likely to be set up towards the end of this year with about £10m of private money available for investment in companies involved in advanced manufacturing technology.

The commission will pay half of the costs of the study, but no European Community funds will be invested in the venture itself.

Euramtech will be aiming to support companies trying to sell high-technology products across European national boundaries, and its membership will be drawn from the European Venture Capital Association (EVC A) "The objective is to find ways of getting Community-wide groups of companies engaged in advanced manufacturing technology," said Mr Bachrach.

The Commission has stipulated that the scheme should include EVCA members from at least five countries. Venture-capital investors from Belgium, the Netherlands, Ireland and the UK have shown interest, and Granville will be putting forward the membership of an initial steering committee to the Commission in Brussels at the end of this month.

The committee will consider other sectors which might be suitable for transnational investment before deciding what structure the fund should adopt and before approaching other financial institutions which could contribute.

A Commission proposal for a European Innovation Loan to stimulate the development of venture capital was rejected last year by several member states. The UK in particular argued that it was inappropriate to channel Community funds into the venture capital industry.

The Euramtech project is seen as an attempt to gain the support of more Community members to the idea of a European venture capital group investing community funds.

INCREASE NEEDED TO OFFSET £1.5bn DRUGS BILL, SAYS MINISTER

Health service charges to rise

FINANCIAL TIMES REPORTER

THE GOVERNMENT is to raise medical prescription charges under the National Health Service by 40p to £2 an item from the start of next month.

The announcement in the House of Commons yesterday by Mr Norman Fowler, Social Services Secretary, met an angry response from Opposition Labour MPs. Mr Michael Meacher, Labour's health spokesman, complained that prescription charges had risen tenfold since 1979.

Mr Fowler, who pointed out that existing exemptions from the charges would continue, said: "If we want to see more resources going to the health service, then charges must make a contribition to that growth."

He added that almost three quarters of all prescriptions were dispensed free of all charge. Those benefiting included the elderly.

Charges for specific dental treatments – crowns, inlays, bridges and dentures – are to rise by between 6 and 10 per cent. The maximum charge for any single course of dental treatment will go up by 4½ per cent.

In addition, dental patients will have to meet the full cost of routine dental treatment up to a maximum of £17 (against £14.50 at present) and pay two fifths of any cost above that level.

Hospital charges for private patients and overseas visitors will go up by an average of just over 14 per cent. This will raise more than £50m a year for health authorities.

Mr Fowler said that even with the increase, charges would cover less than half the cost of tha average prescription, which was now about £4.50.

The health services planned to spend an extra £800m next year bringing its total to £17.5bn which was more than a 20 per cent increase in real terms since the Government came to power. An extra £19m was to be raised from prescription charges to help offset the cost of the £1.5bn annual drugs bill.

Mr Norman Fowler

British eat less fresh meat and fish

BY WALTER ELLIS

THE CONSUMPTION of fresh meat in the UK has continued to decline. Less fish of all kinds – except frozen – is also being eaten, while sales of fresh vegetables move up and down according to price.

These trends in British food consumption emerge from tha latest national food survey, carried out by the Ministry of Agriculture, Fisheries and Food.

Average weekly expenditure on food bought for consumption in the home – excluding sweets, soft drinks, alcohol and pet food – was £8.85 per person in the fourth quarter of 1984. This was 11p more than in the previous three months but 4p less than in the final quarter of 1983.

After allowing for the rise in food prices recorded by the survey, average spending was higher in real terms than in the previous quarter, but lower than a year before.

Household consumption of whole milk in last year's fourth quarter fell slightly against the October-December figure for 1983, but sales of other forms of milk, particularly skimmed milks, continued to grow. Low-fat milks now account for 11 per cent of total milk sales.

Despite an intensive advertising campaign, centring on its relative "healthfulness," butter continued to sell less well than in previous years. Consumption in the fourth quarter of last year was 11 per cent down on 12 months previously. Margarine consumption was also down slightly – by 2 per cent.

Sales of eggs were also down slightly, while consumption of cheese fell between the two final quarters from an average of 4.05 milk-pint equivalents per person per week to 3.80 pints per week.

Consumer groups attack plans for state industries

BY IAN HARGREAVES

GOVERNMENT plans to standardise and tighten financial control of nationalised industries will drive up gas and electricity prices beyond levels commercially justifiable, consumer watchdog bodies for both industries said yesterday.

In strongly worded comments on the Government's recent consultation paper on nationalised industries, the National Gas Consumers' Council and the Electricity Consumers' Council say the plans will involve the Government appropriating financial reserves which belong to consumers and which are needed for investment.

The proposals, says the electricity council, "are totally contrary to the interests of electricity consumers."

The gas council says: "The proposals would limit the gas industry's freedom to exercise commercial judgment in the conduct of its affairs and would give ministers virtually unfettered powers to establish and adjust the financial framework within which British Gas would be required to operate.

"The paper is sprinkled with ritual references to consultation, but in the end it would be ministers who would decide. It is impossible to escape the suspicion that in reality the proposals are, at least in part, designed to enable tha Government to milk cash from profitable nationalised industries, particularly gas and electricity, if necessary by forcing up prices beyond a commercially justifiable level."

The gas paper refers to recent government action in forcing Thames Water to increase charges against the wishes of management. The proposals on nationalised industries would legitimise this type of behaviour and prevent utility managements from responding to market conditions and principles.

It would be better, the electricity council says, to retain the present legal framework of requiring nationalised industries to break even, rather than to allow the Government to impose financial targets which "would legitimise the earning of large surpluses by the industry well in excess of those required for the continuation of the business."

To convert the electricity industry's substantial reserves into government debt or public dividend capital would be "a quite improper diversion to the Treasury of money accumulated by electricity consumers over the years.

"The council believes very strongly that the industry's reserves are held in trust for the future benefit of consumers. In effect these reserves morally belong to the consumers who have contributed to the industry's finances over the years."

The Government has also run into opposition on its proposals from some chairmen of nationalised industries, notably Sir Denis Rooke, chairman of British Gas, who has taken a similar line against the plan as the National Gas Consumers' Council.

Within the electricity industry, however, there is a greater range of opinion. The Electricity Council, the umbrella body responsible for electricity supply, is opposing the scale of powers proposed for ministers in setting financial targets and, by implication, tariffs.

But the council is happy about the principle of converting reserves to public dividend capital, since it believes a move of this kind is inevitable as it becomes debt-free in the next four years.

The consumer councils were not formally consulted by the Government over the nationalised industries proposals. The consultation paper said that matters concerning consumer councils would be dealt with separately if the Government considered it appropriate.

Duty-free shops under scrutiny

By Michael Donne, Aerospace Correspondent

THE COMMERCIAL activities of the British Airports Authority (BAA) – its non-aviation business, including duty-free shops, car parks and other concessions, which earn profits of more than £77m a year – are to be investigated by the Monopolies and Mergers Commission.

Mr Alex Fletcher, Minister for Corporate and Consumer Affairs, said yesterday that the commission would look at whether the BAA could improve its efficiency and reduce its costs or improve the service it offered while ensuring that it was not acting against the public interest by reducing competition.

The investigation is part of the 1985 programme of inquiries into nationalised industries and other public sector bodies under the Competition Act, 1980.

The BAA depends for its overall profits on the money it makes out of its myriad commercial activities.

These include not only duty-free goods sales at its seven airports (Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Aberdeen and Prestwick) but also from its car parks and concessions (such as car hire) which it lets to other organisations.

In 1983-84, the last full year for which accounts are available, the BAA earned a current cost trading profit of £51.6m. This was arrived at after setting its profits on commercial activities of £77.7m against a loss on traffic (landing fees and aircraft parking and other aviation charges) of £26.1m.

Of its seven airports, only one, Heathrow, in 1983-84, earned a profit on aviation business (just over £1.57m), but the profit at that airport on the commercial activities amounted to more than £48.7m.

All the other airports incurred losses on aviation account but made a profit on their commercial activities. Over the past year or two, the BAA has been moving to increase its income from the commercial activities, and it has appointed a commercial development director.

The turnover of the authority's commercial activities amounts to more than £150m a year,

By granting more concessions to private-sector organisations, as well as running more duty-free and other sales itself, the authority aims to achieve even greater turnover and profits and says that this "will continue to be a significant priority."

Although the chief items sold continua to be duty-free liquor, tobacco, perfumes and jewellery, watches and cameras, the authority is looking for other items that would be of likely interest to air travellers – that is, small enough to carry, but of a valua high enough to be worth offering at a duty-free discount.

The commission's terms of reference include assessing the possibilities of increasing competition at the point of sale, how the authority selects persons to whom concessions are granted, the monitoring of those individuals and how it goes about renewing contracts.

Shipyards boost efficiency

BRITISH SHIPBUILDERS believes that its sweeping, year-old labour efficiency deal has improved productivity to the point where it matches the average in north European yards, Brian Groom writes.

Mr Maurice Phelps, board member for industrial relations, said he believed the group – once the most backward – was ahead of France, West Germany and Sweden, though still behind the Netherlands and Finland.

Productivity in Japanese and South Korean yards was still 30 to 50 per cent better and "out of sight." All competitor countries were continuing to make good yearly improvements.

British Shipbuilders has not quantified its improvements. Mr Phelps said productivity, at Govan on the Clyde, one of the most efficient yards, had been raised by 25-30 per cent, but over more than two years.

The group will seek further productivity improvements in this year'a wage round. The Confederation of Shipbuilding and Engineering Unions is due to present a claim for substantial pay rises, extra holidays, a shorter working week, and improved paternity and maternity leave later this month.

The last efficiency deal provided for flexibility between tradesmen within the three broad groups of boilermakers, outfitters and ancillary workers. It also created "composite groups" of workers from all trades to tackle bottlenecks, thus breaching the traditional demarcation between the three categories.

Unions believe the move towards multi-skilled working has been slow in some yards, but Mr Phelps said: "It's not all been plain sailing, but it does appear to be working."

□ PLESSEY signed a £7m contract for the modernisation of Guernsey's telecommunications system.

The project will involve the replacement of cables linking the island's exchanges with an optical-fibre cable network and the installation of two System X electronic exchanges, both capabla of handling local, and international traffic.

GEC will be subcontractors for certain parts of the System X equipment in addition to BICC which will supply the optical-fibre cable.

□ PETITIONS signed by 830,000 people who fear that the Government might impose value-added tax on books were delivered to No 10 Downing Street, the Prime Minister's official residence. Signatures were collected in libraries, bookshops, universities and community centres throughout Britain.

□ EDWARD HEATH, the former Conservative Prime Minister, and Willy Brandt, the former West German Chancellor and chairman of the Commission on World Development which produced the Brandt reports, are to be conferred with honorary degrees of doctor of civil law at the University of Kent.

□ HONDA is recalling Accord cars made in 1982 to check for a possible electrical fault in the battery charging system.

London Galleries/William Packer

Open eyes, open minds

Abstract or figurative, academic or avant-garde, old fashioned or the latest thing: the hoary antitheses of common prejudice persist, to keep futile dehate stuttering on and eyes and minds closed to so much comparative stimulation and critical pleasure. We all have our preferences, of course, and these may change or moderate. Art comes to us in many forms. There can never he anything so truly exclusive to one form of expression that, having won our attention, it rules out an interest in achievement of another kind.

Artists know this perfectly well. There is always at least as much in common experience and practice to hring them together as there ever is to divide them in cultural conditioning or historical distance. There need be nothing false in the interest the most modern painter takes in how Poussin set ahout it, or Titian or Piero, or the most remote of the Japanese masters, 10 centuries ago.

But the puhlic takes issue, ruling out enjoyment here hy pleasure there, refusing to entertain the possibility of a connection—Mondrian and Rembrandt, Picasso and Velasquez, Bacon and Bonnard: surely not? Two of our most respected living painters, one of the middle generation, the other more senior, are currently the suhjects of important exhibitions in the West End. It would he interesting to know how many visitors to the Peter Greenham retrospective at the Fine Rooms of the Royal Academy (until April 8) are prepared to make the excursion round the corner to Cork Street to see the latest work of his some-time pupil, John Hoyland, in the Waddington Galleries (until March 30).

The exercise is not one of drawing spurious or far-fetched connections hetween work that remains manifestly quite distinct, but rather of making the point that a fundamental sympathy may exist across an apparent divide, and that to move from one side to the other need entail no compromise or contradiction. The curious thing in this case is that the elder artist, portrait and landscape painter Greenham, grows increasingly interesting for the manner of his painting, for the touch end gesture than only then accrue into some kind of representation, while the nominal abstractionist seems to be teasing himself, after nearly 30 years, towards imagery referred directly to an external source.

Greenham is near retirement as Keeper of the Royal Acadamy Schools, where he has taught one way and another for some 30 years. Inevitahly, his personal reputation has long been clouded by so close an association with an institution itself notoriously idiosyncratic, sometimes unfashionable, and much misunderstood. In recent times some of the rudest things said of the Academy have heen about the portraits to he found in its summer show; and it is the portrait in particular thet has been his abiding preoccupation, and reliahle employment besides. As he says ao wryly, he must be the only successful portrait painter whose paintings are never anything "like," at least in any popularly acceptable sense.

To take him merely as a portrait painter, however, is to mistake him altogether. Where in this exhibition we find him most bound by the accepted conventions of the portrait, we find him most compromised *and unsuccessful. His* real achievement nad integrity are to he found elsewhere. When working on his own terms he displaye the nnderstanding that grows out of the experience of an extended confrontation and consideration. Were they hung together, his paintings of his wife, Jane Dowling (whose own paintings and drawings augment the show) would make the point. The paint lies quietly on the surface, the image more suggested than established, mark set gently against mark, close toned, delicately made yet fat and rich with oil and pigment. Thus we see the stuff of the image, what the work is in itself, and begin to read the secret history of its making, before ever it resolvee into the character of the sitter, like the genie let out of the bottle. Painting is painting; and it is what we find in the painting itself that is beautiful with any nominal similarity to its subject *all* hut *irrevelant*.

And so it is, *mutatis mutandis*, with John Hoyland, whose work is so large, the images so positively, even aggressively stated, the paint laid on so thick and raw. Here too, though there is as yet no reference in the work to anything but the painting itself, the principal concern is with the economy of the activity. From Hoyland's hand a rich gohhet of acrylic paint emeared lightly across the canvas is invested with as much ambiguous assurance as any tentative flick or run of Greenham'e hrush.

Hoyland's work lately has change dramatically in its format, and these new roundel images, like plates seen from above, or planets with their moons about them, and figured with strange contents and atmospheres, are possessed of much richer and more modelled form, and a deeper ambiguous space. It is work confidently in transition, and who can tell where it will lead. As is often true in such cases, the smaller work — still large enough in all conscience — has the more anthority.

And so to the sculpture, and to the work of Nigel Hall now at Juda Rowan, in Tottenham Mews (until April 27). To switch ahruptly from painting to sculpture may seem perverse, hut then Hall has always been *consciously pictorial* in *his* work, in the sense that to work within the disciplines imposed by the relief, as he has always done, is to accept a more fixed point of view from which to consider each piece, snd to make great play with the contradictions that lie hetween actual and illusory, pictorial space.

He is also showing several drawings, which stand for a side of his work that until now he has kept rather a related yet distinct activity. But with this show, perheps, the gap is *closing. The drawings* are no less positive or self-sufficient hut the sculpture itself is moving hack towards them. The relief is shallower, the conformation closer and more dense, more intuitive in its modelling, and more graphic too. There is still the sure sense of composition; bnt now it is as though it is a mark that is estahlished, albeit in space and made of painted metal, against which another moves, and another overleys or undermines. The drawings, meanwhile, have the weight and presence of paintings—which is what in fact they are hut for the niceties of conventional description—and they have abont them the aura of development, real experiment and incipient change: which suggests, the manifest accomplishment of the reliefs notwithstanding, that Hall's true engagement for the moment lies with them. Who knows what changes, of medium and material, scale and content, they foreshadow: and the reliefs dance off and against them, as light, elegant and beautiful as ever, and yet waiting perhaps for the music to change.

Nigel Hall in his studio

Peter Greenham: American Boy, 1966

The Plough and the Stars/Glasgow

Martin Hoyle

For a moment I thought we were heck with English National Opere's *Xerxes*. Arranged upstage is a row of display-cases containing military uniforms. Downstege the acting area is fenced off hy white furniture: counters, chests of drawers. Soldiers and civilians mill around es in a museum. Somehody asks the way, is directed.

Those uniforms stand for—what? The British military presence; and possihly the whole emhattled, inescapahle history of Anglo-Ireland—"the desr, the sweet, the pious past," as *Micol* puts it *in The Gorden of the Finzi-Contini*, a Jew evoking a doomed and insidious nostalgia like the Irish, that hlurs the issues, sharpens the images of suffering, and permeates daily life.

Giles Havergal's production at the Citizens' Theatre lays on the irony and serves to remind us how Dickensian O'Casey's play is—not merely in such plot devices as the consumptive child and the heroine's final madness, hut the use of catchphrases as verhal trade-marks for individual characters; and, above all, the consciousness of a jostling crowd of little people caught up in the larger scheme of things.

The scenes are punctuated by a visihle orator (Sandy Welch, imposingly assertive) on a dels in front of the stage, to be identified perhaps with Pearse, exhorting the *audience* with words addressed to the Repuhlicans. At the play'e end he concedes thet the odds were too great but promises more to come. The spotlight moves to the widowed Nora as her mad laughter takes over.

This is perhaps nnderlining the irony too heavily. However, it counters the lightweight casting of some roles. Roma Tomelty'a Bessie Burgess, a eharacter as contradictory as O'Casey himself, suggests little of the harridan-turned-earth mother, Syhil, Casandra and Niobe in one. Ms Tomelty is handicapped hy a faiantly Old Mother Rileyi appearance, more suitahle to Mrs Grogan, the eharwoman, here given a strong performance hy Ida Schuster.

Similarly, Alex McAvoy's Fluther Good, smaller, older, less ehullient than some, is not so different from Patrick Hannaway's Peter Flynn, mocked to good effect by Aaron Harris's aharply-observed young socialist.

As Jack and Nora, separated and destroyed by the Easter Rising, Ciaran Hinds and Hilary Reynolds are totally convincing *as a married* conple still sparking the charge or erotic attraction, even if Mr Hinds is so positive an officer of the Irish Citizen Army that he gives little sign of the "fear of fear" Nora detects *in* the *fighters*.

Sir Charles Groves' birthday

Paul Driver

Sir Charles Groves conducted the London Symphony Orchestra in a splendid programme celebrating his own 70th hirthday et the Barbican on Sunday evening. The London Symphony Chorus and four vocal soloists also took part, in hoth items—Tippett's Ritual Dances from *The Midsummer Morriage* and Beethoven's 9th Symphony.

The Ritual Dances received one of the hest performances I've ever heard. It was a different arrangement of the operatic musie than is *usually* given in concert. Not only were the optional choral parts added in the fourth dance (taken from the opera's third act), hut the vocal lines that belong here were filled in also, so that we got—more than just excerpts—etrue and substantial impression of the whola work.

These dances are, in any case, what carries the emotional freight of the opera — a more perfectly and abundantly musical opera than practically any other. They are an English equivalent to Ravel's *Daphnis and Chloé* ballet music, and need to be performed with a similar regard for impressionistic nnances of orchestration and efflorescent warmth of sound. Sir Charles not only ohtained accurate and eloquent playing throughont (the difficult woodwind figurations sounded *effortlessly smooth and* the softly urged viola line in the second dance finely controlled), but a consistently glowing texture which could easily hurn in ecstasy at the appropriate moments.

Of the soloists, Elaine Woods and John Mitchinson (as Jenifer and Mark) soared to particular distinction. The chorus, trained by Simon Joly, sang magnificently, as it did in the Beethoven. Sir Charles found an ideal approach to this work, too. The music's drive and intensity were communicated in a way that did not preclude a certain expansiveness of feeling and beauty of sound or imply a false sense of anguish. The Adagio was not allowed to be emotionally heavy*weight* hut properly kept serene and preludial to the finale. Unfortunately, that movement was spoilt when baritone Donald McIntyre, who must have been sleeping *through* the previous one, came in after the first instead of the second set of dissonances. The evening ended in triumph, nevertheless.

Zurich Mozart cycle

Andrew Clark

After *Idomeneo, Lucio Silla* and *Mitridate*, the Zurich *Mozart cycle staged* hy Jean-Pierre Ponnelle and conducted by Nikolaus Hernoncourt has advanced to *Die Entführung aus dem Serail*. But far from escaping opera seria and Europe through the eyes of the Enlightenment, the latest addition provides atrong reminders of both.

Ponnelle presents *Entführung* as an entertainment for a prince of the Ancien Régime, who enjoys the services of his court orchestra during the overture end then proceeds to assign everyone a role in the little romantic drama he has devised to show ahsolutism in its most favourable light. Pet Halmen's rich costumes are cunningly and *swiftly* adapted and the prince, as well as carrying *out the functions of* patron and artistic director, acts the part of the Pasha. The two proscenium hoxes in the court theatre aerve handsomely ae castle turrets and a hackdrop depicting a Turkish palace and gardens is suhstituted. For the final chorus, the court reclaims its composure.

The idea succeeds hugely—in spite of the *usual* Ponnelle mannerisms. It is the compensating stylishness and detail, evidence of a richly inventive mind that has never been seen near its best in London, that sweep all reservations aside, bringing this untiringly melodious *Singspiel* a sophisticated elegance it is accorded rarely by other directors.

To be fair, much of the success is due to Wolfgang Reichmann (Ponnelle's Moses three years ago in Munich), who justifies the Pasha's unusual prominence with a stage bearing and delivery as masterful in silence as in speech. Matti Salminen's Osmin is also perfectly cast, a likeable old fool whose giant size and ponderous tone do not preclude acts of unusual physical and vocal agility. With no shortage of comic gifts and a voice to match the tessitura of the role, this was a major performance.

Gösta Winhergh, now estahlished *as* a *Mozart* tenor of gracious but not yet effortless style, sang Belmonte, and Lillian Watson was at her best as Blonde. The Constanze was Ulrike Steinsky, who was heard with the Royal Opera in Los Angeles but seemed quite inexperienced here: the voice began to command attention only in Act III; by which time, of course, her arias had passed.

It was a mistake not to dress the Mozart Orchestra of the Zurich Opera House in the costumes they wear for the three other operas in the cycle, especially as the four concertante players in "Martern aller Arten" join the soprano on stage. That apart, the orchestral contrihution is as exciting as hefore, a reminder that this is as much Harnoncourt'e cycle as Ponnelle's. Harnoncourt shows the keenest ear for nuances of phrasing and counterpoint and, in the ensembles, takes rhythmic muscularity and textural ruggedness to an extreme. Elsewhere, there is a well-contrasted stillness and elevstion, of which the final quartet in Act II was an outstanding example.

This cycle has far too much *distinction* to be allowed to lapse when C. H. Drese, its motivating force, leaves Zurich next year to take up his appointment as director of the Vienna State Opera.

Saleroom

A documentary fan of around 1795, showing the auditorium of the Royal Thestre Turin, with the names of all the subscribers to boxes for the season, sold for £1,155 at Sotheby's yesterday. A fan painted by Faivre in 1889 made £3,300; he is one of the most sought-after fan artists. A Jacobite fan of the mid 18th century, depicting the Young Pretender, realised £858.

Among the mioiatures one hy Alexander Cooper of a young nobleman made £13,750 while a miniature of 1653 hy Matthew Snelling, whose output was very limited, eold for £8,800.

Frankl, Pauk, Kirshbaum

David Murray

The trio of Peter Frankl, György Pauk and Ralph Kirshbaum offers guaranteed rewards, and their programme on Saturday drew such a house that the Wigmore Hall was reduced to aelling the Press seats. Fauré's late Piano Trio, the greet Schubert Trio in B-flat and pungent concert-duets hy Janácek and Bartók: all played with such lively sympathy as to make an evening of continuous pleasure, and to make any *small reservations seem purely* theoretical. I only wish that the trio would choose a manageahle name for itself.

Detsiled comment is slmost unnecessary, for every performance was warm, *relaxed, full* of imaginative detail aod a model of friendly, ensemble-playing—except for a slight, persistent overweighting of the piano in the actual sound of the duets. Both Janácek's *Pohádka* (with eello) and Bartók's Second Rhapsody (with violin) offer rich piano-parts, hut they threatened—just a little—what must nonetheless he the leeding roles for the string solos. Perhaps it was just a matter of placing: I fancy that the half-rotunda above the Wigmore platform is unhelpful to a soloist who sits too fer off-centre, as Peuk and Kirshbaum did. But Psuk hrought all his idiometic panache to Bsrtók, snd Kirshhaum's *mezza voce* Janácek fairly hreethed fresh insights.

The Schubert trio was red meat to the Frankl-Pauk-Kirshbaum team, and they went at it with communicative glee, relishing every tune. There and also in the Fauré, the only niggle *I wanted* to register was that the music wasn't always moved along as expeditiously as it might usefully have heen. Fauré's Trio, leisurely and lovingly exployed, was taken at broad tempi, which risked ieiting the characteristic late-Fauré penchant for enharmonic sequences sound indulgent.

Music Projects/Almeida

Andrew Clements

In two concerts this week at the Almeida Theatre, Music Projects/London, directed by Richsrd Bernas, is presenting a useful survey of three younger French composers. French music since Boulez (and hy adoption Xenakis) is most imperfectly known in Britain; the generation now in its eerly 50s is never heard, and only isolated works by its juniors are ever programmed. Snbstantial chunks of music by Michael Levinas, Pascal Dusapin and Tristan Murail, the trio selected by Music Projects, then are most welcome.

Both programmes also include a work by Xenakis, providing a kind of hase line and suggesting too the line of influence that the other composers *have followed. Murail* is featured on Thursday; Sunday eveoing's concert concentrated on Dusapin, with a single, rather pallid piece for hass flute, *Arsis et Thesis* hy Levinas, and the first British performance of Xenakis's *Khalperr* for hrass quintet and percussion from 1983, e pungent, pithy piece that ties ever tighter knots of polyphony at insistently high dynamie levels.

Dusapin was represented by four works, all of them brief and suggesting e distinctive if sometimes unfocussed creative personality. He is now in his early 30s and evidently composes sparingly for diverse collections of instruments. Two of the items here were instrumental solos—*If* (1984) for *clarinet, Incisa* (1983) for *cello* —both unflaggingly intense and highly wrought effusions, but less purposeful than the two ensemble piecea. Of these the more striking was *L'Homme aux liens* (1978) for two sopranos and two violins: a setting in Latin of a text by Lucretius which is woven in close, quarter-tone polyphony with jagged dynamics.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 8–14

Opera and Ballet

PARIS

Doctor Faustus alternates with Soirée de Ballets, two premiers' by young choreographers, David Bintley and Nils Christe, and Balanchine's Crystal Palace at the Paris Opera (742 5750).

La Traviata, performed by Orchestre Colonne, conducted by Donato Renzetti in e Bonn Opera production by Luca Ronconi, with Violetta sung alternately by Diana Sociero-Uzan, Jenny Drivala and Julia Kukely. TMP-Châtelet (233 4444).

Ballet de Marseille, Roland Petit's premiere of The Marriage of Heaven and *Hell* to Art Zoyd's music. Théâtre des Champs Elysées (723 4777).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Otello with Pilar Lorengar, James McCracken and Guillerma Sarabia. Also, Herbert von Karajan's production of Der Troubadour, Die lustigen Weiber von Windsor with Norma Sharp and Helmut Berger-Tuna, and Manon Lescaut with Pilar Lorengar and Giorgio Merighi.

Hamburg, Staatsoper: *My Fair Lady* has Gabriele Ramm as Eliza Doolittle and Boy Gobert as Henry Higgins. It is produced by Karl Wessel er. Arabella has Anna Tomowa-Sintow and Bernd Weikl, Der Troubadour *Fiorenza Cossotto* and Lando Bartolini, La Bohème Eleana Cotrubas and Neil Shicoff; Alexander Zemlinsky's rarely played Der Kreidekreis rounds off the week.

Frankfurt, Opera: Der *fliegende* Holländer is back with e new cast this month, including Dunja Vejzovic as Senta. Volkmar Olbrich conducts Der Zigeunerbaron, Eugene Onegin stars Helena Döse, Margit Neugebauer und John Hanssen, and La Bohème, produced by Volker Schlondorff, features Ilona Tokody and Peter Kelen.

LONDON

Royal Opera, Covent Garden: Bellini's I Capuleti E I Montecchi, which enjoyed a successful first Covent Garden showing last season, returns with a new set of principals and conductor – Tatians Troyanos (long absent from this theatre) and Katia Ricciarelli as Romeo and Juliet, the Dane Michael Schonwand in the pit. More of the Handel centenary production of Samson, with Jon Vickers returning to one of his greatest roles here after a gap of at least 26 years. (240 1066).

English National Opera, Coliseum: Count Ory, a perennial ENO favourite, returns with a largely new cast, including Isobel Buchanan, Jane Edward, and Anne-Marie Owens, but led by John Brecknock's long-admired account of the title role. Last performance of Tristan, in which Kenneth Woollam takes over *the tenor role*, and Lionel Friend the conductor's post; also further performances of the new Xerxes, conducted by Charles Mackerras, and of the ENO's "smash-hit" Rigoletto. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet brings in a new ballet by Michael Corder on Saturday and shows it again on Tuesday: the rest of the triple bill contains The Firebird and Kylian's Return to the strange land.

ITALY

Rome: Teatro *dell'Opera*: Three ballets: Carmen Suite to music by Rodion Scedrin, Isadora with choreography by Roland Petit, and The Four Seasons (Vivaldi's Music) – danced by Maya Plissetskaya and the Teatro dell'Opera Ballet Company. (Fri, Sun, Tue). (46 17 55).

Milan: Teatro alla Scala: Zeffirelli's new production of Swan Lake with choreography by Rosella Hightower with Renata Calderini as Odette, Anna Razzi as Odile and Marco Pierin as The Prince (Sun). (80 91 26).

Turin: Teatro Regio: Mussorgsky's opera La Chovanscina – Italian version by Fedele d'Amico, conducted by Bruno Bartoletti, directed and with scenery and costumes by Pier Luigi Pizzi. In the cast: Stefan Elenkov, Maurizio Frusoni and Perry Price. (Sun, Tue). (548 000).

Naples: Teatro di San Carlo: A highly successful production by Mauro Bolognini of Franz Lehar's Merry Widow conducted by Daniel Oren and sung by Raina Kabaivanska, Mikael Melbye, Daniela Mazzuccato, Max Rene Cosotti and Silvano Pagliuca (Sat, Sun, Wed). (41 82 66).

Palermo: Teatro Massimo (Politeama Garibaldi). Verdi's Don Carlos conducted by Pinchas Steinberg and directed by Vera Bertinetti and with scenery by Nicola Benois. Sung by Ilona Tokody, Maria Luisa Nave, *Piero* Visconti and Giorgio Zancanaro (Fri, Sun, Wed). (584 334).

Verona: Arena di Verona Company at the Teatro Filarmonico: Gluck's Orfeo ed Euridice conducted by Massimo de Bernart and directed by Giancarlo Cobelli, with scenery and *costumes* by Maurizio Balo (Sun, Wed). (22 880).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Franco Zeffirelli's production of Tosca conducted by Giuseppe Sinopoli with Hildegard Behrens and Placido Domingo. Thomas Fulton conducts last season's new production of Ernani, starring *Montserrat* Caballe, Ermanno Mauro, Pablo Elvira and Paul Plishka. Die Meistersinger, conducted by James Levine, features Mari Anne Haeggander, Edward Sooter and David Rendall. James *Levine* also conducts the premiere season of Nathaniel Merrill's productioo of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. Lincoln Center (362 6000).

Sponsorship/Antony Thorncroft

Now the band plays on

Lord Gowrie, Minister for the Arts, and Sir Peter Hall, of the National Theatre, who heve erossed verbal swords in recent weeks over the size of Government subsidy for the arts, were harmoniously united yesterday hy eccountants Arthur Andersen.

Through its Foundation, Arthur Andersen has given £22,500 to enahle the National Theatre to continue with its foyer music programme, threatened hy its need to cut *costs* following an increase in grant for 1985-86 of 1.9 per cent. The Government, through Lord Gowrie's pet Business Sponsorship Incentive Scheme (BSIS) has added a further £7,500, to make a total contribution of £30,000 to the National.

The public row between Sir Peter and Lord Gowrie, and their amicahle handshakes yesterday, rather distracted attention from the major slice of Arthur Andersen's arts sponsorship, £75,000 to restore one of the galleries in Somerset House, the new home of the Courtauld Institute. Here again, hecause this ia a new sponsorship, it qualifies under the topping up provisions of the Business Sponsorship scheme, and the Government contrihuted £25,000.

Lord Gowrie went out of *his* way to reiterate that he saw such eponsorship as the arts funding of the future. Under a Conservative Government, puhlie subsidy might be retained at the current level but no more. For new initiatives and extra cash the arts would have to look to husiness, or private sponsors. The Government would encourage such a development through the BSIS, which has £1m to give away in the coming year.

Arthur Andersen is almost next door to Somerset House and faces the Netional Theatre across the river. A tangible, and very valuahle reward for its cash will be the flashing of its name, from May 1, on the giant electronic hillboard which advises the multitudes crossing Waterloo Bridge of the current attractions at the National Theetre. Now the National is keen on sponsors any company that finances a new production can expect a similar plug.

The Courtauld hopes to move to Somerset House by 1986. Its £3m appeal for the restoration of thia fine building has raised £1.5m. Arthur Andersen will have a room named after it—so will any other company that supports this worthy cause.

The BSIS was modified last week so that any company which supports the erts, for the first time, with £1,000 or more, can qualify for a matching £1,000 from the Government.

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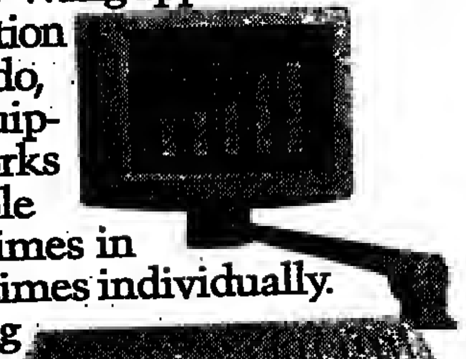

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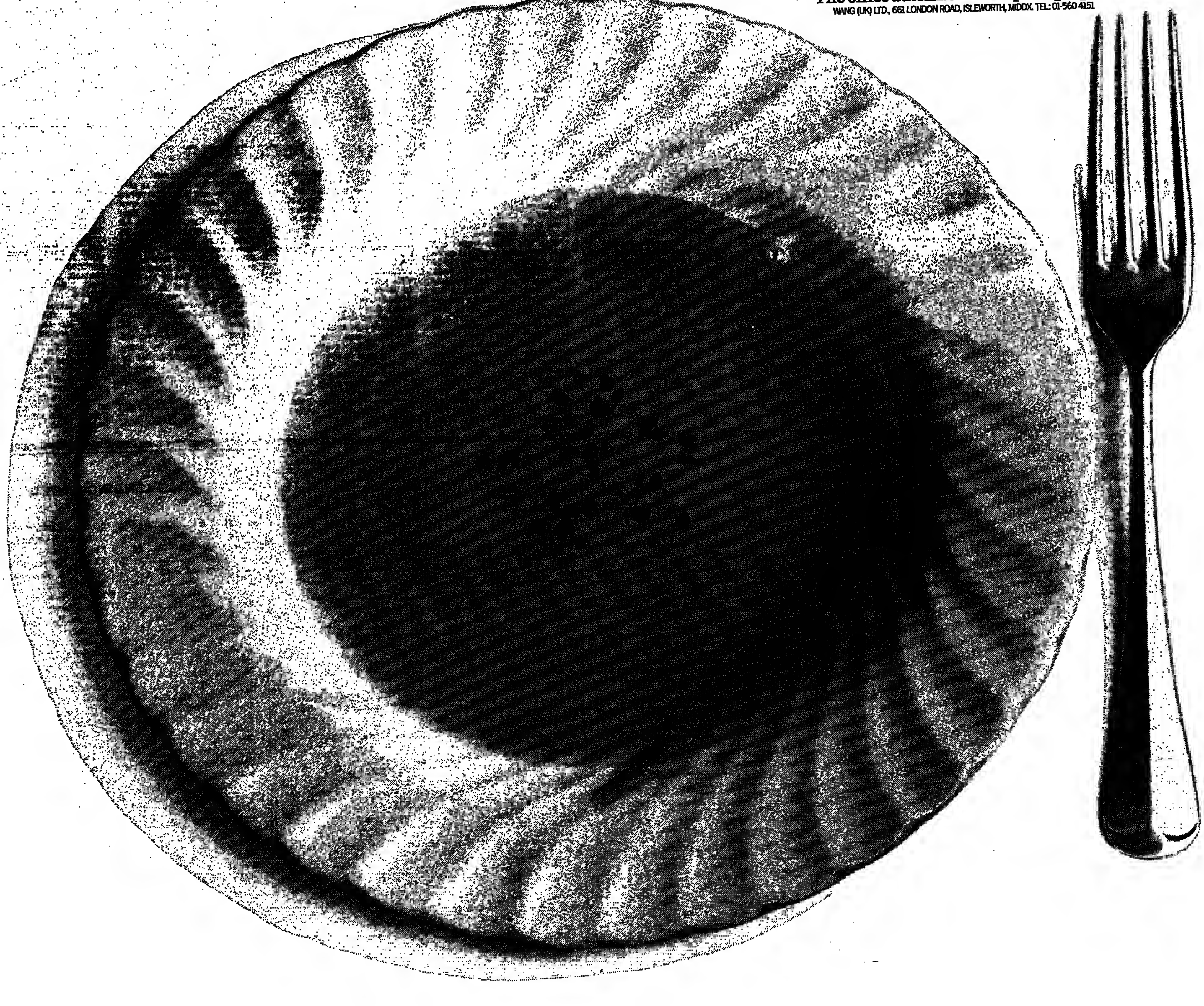

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Tuesday March 12 1985

Coming in from the cold

THE LATE John F. Kennedy is said to have wondered what would happen if the Soviet Union ever had a leader who campaigned on the slogan "Let's get this country moving." That was over 20 years ago. Today, after the deaths of three Soviet Presidents within three years, Mr Mikhail Gorbachev, the new leader, might have that opportunity.

Mr Gorbachev is 54, one of the youngest members of the Politburo, with some experience of agriculture as well as the wider economy, and with some exposure to the West. He can expect to be there for some years to come, gradually bringing in his own, younger team. The era of the Soviet gerontocracy may be over.

In that sense, his accession should be universally welcome—welcome in the Soviet Union itself which needs a new broom that can come only with a new generation, and welcome to all those countries who have to deal with Moscow, including the West in general. For too long there has been an impression of drift with the most visible sign of the Soviet presence in the world being military power, and very little else. The Soviet leadership seems to have acknowledged this weakness by moving so quickly to appoint Mr Gorbachev—as it did not when the septuagenarian President Chernenko succeeded President Andropov last year.

It is important to recognise, however, how drab the inheritance is. Not only has the economy failed to take off; the Soviet Union is also a country virtually without friends. It has troubles in Afghanistan. It must keep a wary eye on eastern Europe. The relationship between Peking and Washington is closer than the relationship between Washington and Moscow. Japan has developed into a technological giant in its own right. Not even the most distressed countries in the third world now look to the Soviet Union as a model. The Russians were pushed out of Egypt and Indonesia long ago. Even those countries still nominally communist, such as China and Hungary, are seeking new economic directions which have nothing to do with the Soviet example. East Germany, once Moscow's most loyal ally, makes no secret of its desire for closer relations with the Federal Republic.

Balance of power

Soviet claims to being a superpower rest solely on military strength. Yet here, too, the country is in danger of being out-matched by American technological superiority: hence the Soviet concern at President Reagan's Strategic Defence Initiative. Looking at the world as a whole, the Soviet Union is essentially on the retreat, or has at least stopped advancing: the balance of power has changed in America's favour.

If one takes the principal trouble spots, it is notable how everyone is looking primarily to the U.S. for a solution. In the Middle East Mr Yassir Arafat of the PLO and King Hussein of Jordan, having buried some of their differences, are seeking an American move. President Mubarak of Egypt is pressing for the same in Washington this week. In southern Africa probably the Americans alone can provide the impetus for a settlement in Namibia; and it is striking that the Americans are now showing a sharper interest in South Africa itself.

Yet if the relationship between the U.S. and the Soviet Union is no longer even remotely one of equals, this places a heavy responsibility on President Reagan to use his power wisely. Mr Denis Healey, the British shadow Foreign Secretary, wrote recently of the danger of the Americans opting for a "policy of global unilateralism under which they intervene all over the world without trying to win the consent or understanding of their allies or of the countries in which they operate."

Such is American power that that danger is real. In the absence of rivals, the U.S. has the choice of seeking to impose its own way on the world or of going for co-operation. The former is a feasible option: the U.S. could probably do what it likes with Central America, at least for a while. It could ignore the quest for a settlement in the Middle East, saying that it will have nothing to do with the PLO. And it can probably live without arms control because its own technological edge will keep it ahead of the race. The notion of American global superiority is not far-fetched.

A more responsible approach, however, would be to return to a concept of balance and of seeking a security system based on mutual agreements rather than unilateral power. There was, after all, a time, not so long ago, when the U.S. and the Soviet Union were able to talk to each other and to settle problems together. The Berlin agreement of the early 1970s was one example. So were the beginnings of West Germany's *Ostpolitik* and, not least, the first strategic arms limitation agreement.

Mutual suspicion

For all sorts of reasons detente went out of fashion. There was Watergate in the U.S., the ill-fated presidency of Mr Carter and the feeling that America must again flex its muscles. There was the Soviet intervention in Afghanistan and the ageing of the Soviet leadership. The relationship between Washington and Moscow became one of intense mutual suspicion.

As it happens, President Chernenko has died on the eve of the start of the new arms control negotiations in Geneva. Those talks will go on, and it is notable how ready the Russians were to begin them once President Reagan was re-elected for a second term.

Yet arms control, even if achievable, is not enough. The new regime in Moscow should open the way for an attempt at much wider co-operation. Rarely can the circumstances have been more propitious. Diplomacy is again under way in the Middle East. There may be a chance for mediation in the Iran-Iraq war. There is room for a resumption of detente in central Europe.

None of that may come about. What is important is that it should be tried and seen to be tried. President Reagan and the rest of the West need to show Mr Gorbachev an open door through which there can be co-operation. Never before has there been such an opportunity to put East-West relations on a new footing.

The new leadership, of course, will need time to consolidate. But it is the start that matters. A Soviet Union that is an ailing giant and isolated into the bargain could be a very difficult country to live with. It could be done. Maybe there could even be a *pax americana* with the world reduced to one superpower in a sea of troubles. But that should be the position of last resort. For the moment Mr Gorbachev should be encouraged to bring the Soviet Union in from the cold.

After Chernenko

Gorbachev: the Kremlin's break with the past

By Patrick Cockburn in Moscow

Mr Gorbachev: different political generation

THE DEATH of President Konstantin Chernenko, and the immediate succession of Mr Mikhail Gorbachev, as General Secretary of the Communist Party, creates a new opportunity for change and reform within the Soviet Union.

Mr Chernenko, 73-years-old, belonged very much to the era of leaders who had survived Stalin and the war to prosper during the long rule of Leonid *Brezhnev*.

Mr Gorbachev, on the other hand, only 54 in e politburo whose average age is 70, was a child during the great purges and e teenager during the war. He only joined the Communist Party the year before Stalin died.

In Mr Chernenko's brief year in power, the two men's physical appearance seemed almost to symbolise the different generations. President Chernenko, unsteady on his feet and speaking with halting delivery, was a marked contrast to the brisk Mr Gorbachev. In his final eppearance on television last week, Mr Chernenko supported himself on the back of a chair unable even to raise e hand to take a bouquet of red flowers an official was trying to band to him.

But the difference between them is much more than a question of age or health. The trauma of the purges and the war marked off the generation which experienced them from their successors, creating a political generation gap which has hampered reform.

The selection of Mr Gorbachev as general secretary of the Communist Party, much more important than the *Presidency* of the Soviet Union, will not entirely end this dilemma. His authority will still be circumscribed by other members of *the Politburo such as Mr Nikolai* Tikhonov, the 79-year-old Prime Minister, who shows no inclination to retire.

Much more than a question of age or health

Indeed, Mr Gorbachev's status as heir apparent to Mr Chernenko has always seemed a little dubious. The majority of the other members of the Politburo had been appointed by Mr Brezhnev. The Central Committee of the Communist Party, the key 300 member body outside which there is so little political life in the Soviet Union, has an everage age of 66 and dates very much from the same era.

Yet there is also a general recognition within the leadership that change in senior personnel and economic reform are essential and it is bere that the new leadership will have most impact. Indeed, the reforms which Mr Yuri Andropov, the Soviet leader from the end of 1982 to early 1984, started to make did not cease during Mr Chernenko's rule even if they lost some momentum.

The heart of the economic problem is the twin failure of agriculture and industry. Soviet agriculture, always backward and consciously exploited to provide cheap food for the cities, has been slow to modernise. Although it receives one-third of all capital investment, grain imports have surged in the last 10 years and the Politburo has seen its money swallowed with little return.

The original success of Soviet economic development in creating e powerful heavy industrial sector should never be underrated. But in the 1970s, et the very moment that the Soviet Union had achieved parity in nuclear missiles with the U.S., it became clear that neither sector of the economy could make the transition and raise productivity and quality as an abundant labour supply and cheap raw materials ceased to be evailable.

It was this failure that originally pushed Mr Gorbachev to the fore. Although trained as e lawyer at Moscow University, he had risen through the ranks of the party as an agricultural specialist in the sourthern province of Stavropol just north of the Caucasus mountains. In 1978, the sudden death of the Central Committee Secretary in charge of Agriculture brought him to Moscow.

He arrived at a crucial moment in the last years of President Brezhnev. For the Soviet Union his rise bad been extremely fast. Under Mr Yuri Andropov, the fact that Mr Gorbachev was not part of the ancient regime was e distinct bonus, and one of which he was quick to take advantage.

As Mr Andropov's health deteriorated in 1983, Mr Gorbachev liaised between him and the Politburo. The very fect that so few of the younger generation of leaders had been promoted by Mr Brezhnev in the 1950s ensured that he had few rivals among his contemporaries.

Mr Gorbachev became, and has remained, the most eloqent advocate of economic reform on the Politburo, emphasising that people needed to "sense a direct connection between their labour and their pay." He said that agriculture needed reorganisation as much as investment.

Reorganisation in turn meant changes in senior personnel in the party and government ministries. Powerful positions have often had the same occupant since the end of Mr Krushchev's era. Yesterday's Pravda carried a long and highly critical account of the poor state of agriculture in Yaroslavl province north of Moscow, which the Communist Party daily used as a scarcely veiled attack on the party leader in the area, who has held his post since 1961. Such longevity, regardless of performance, is not uncommon.

It is hardly surprising that both Mr Andropov and his proteges were resisted, all the more so when it became plain that Mr Andropov was ill and unlikely to be leader for long.

His death left a curious interregnum which ended yesterday. Mr Chernenko became General Secretary of the party, but with Mr Gorbechev establisbed as bis heir-apparent. Much suthority was also held by senior figures sucb as Mr Andrei Gromyko, the Foreign Minister, and Marshal Dmitri Ustinov in charge of defence, but no radical change was likely while Mr Cbernenko lived.

His death puts Mr Gorbachev in the position of having to fulfil the expectations of those who want e new *generation* in charge of the Soviet political system and e large measure of economic reform. His election as General Secretary means that he holds the key post in the Soviet Union, but it does not mean that there will be an immediate changing of the guard at the top.

This will take time. For the moment it is questionable whether a majority on the Politburo favour reform of any truly radical kind and Mr Gorbachev himself has never before been in a position where be bas had to translate his rhetoric into reality.

The hopes of governments ebroad that Mr Gorbachev's foreign policy will be more moderate than Mr Chernenko's are less likely to be fulfilled. Soviet foreign policy has been largely executed, and often formulated, by Mr Andrei Gromyko.

But it has also become clear over the last two months that Mr Chernenko's incapacity, his *inability* to meet foreign leaders or issue euthoritative statements, bas hampered the ability of Moscow to put over its opinions to the world. Every statement from the Kremlin was examined as much a medical bulletin as a statement of the Soviet President's views.

The election of a younger leader in good health for the first time for at least six years will, therefore, allow the Soviets to express their policies more easily and with greater impact even if it is unlikely that these policies will change in substance.

On the disarmament talks in Geneva, Soviet officials have recently expressed increasing pessimism as they have come to eppreciate the degree to which U.S. and Soviet policies on the "star wars" strategic defence initiative are diametrically opposed.

Unlikely that policies will change in substance

But "star wars" has provided Moscow with a diplomatic opportunity as well as a military threat. The concept of anti-ballistic missile defence is clearly disliked by most members of Nato and by a section of opinion in the U.S.

Elsewhere in the world, his selection as Soviet leader will make less difference. Despite friendlier relations with China, the two Communist powers remain divided by Afghanistan and Vietnam. Better state-to-state relations have not been matched by the resumption of contacts between the world's most powerful Communist Parties.

Yet there is some similarity between the problems that faced Mr Gorbachev and Mr Deng Xiaoping when he became the guiding force in Chinese politics. In both cases, the overwhelming need was to improve the economy and the standard of living of the people atfer a long period in which both had stagnated. It will be on his success in doing this that Mr Gorbachev will now be judged inside the Soviet Union.

THE OPPORTUNITIES FOR THE SUCCESSOR . . .

FOR EASTERN EUROPE, the coincidence this year of the preparation of new five-year plans throughout the Soviet bloc and the renewal of the Warsaw Pact treaty makes Mr Gorbachev's succession all the more historic.

Mr Chernenko ducked a golden opportunity at last year's Comecon summit, the first for 15 years, for basic improvement in trading relations between the Soviet Union and its six East European partners, Poland, Bulgaria, Czechoslovakia, East Germany, Hungary and Romania. The achaic commercial barter and bureaucratic organisation of industrial production across borders in the Soviet bloc, which are the hallmark of Comecon, were left in essence untouched.

All that Mr Chernenko demanded, and got, was a better return for Soviet energy and raw materials in terms of higher quality East European industrial goods. Building on that, the reform-minded Mr Gorbachev still has some time to make up for lost reform opportunities in Comecon as the Soviet Union and East European countries come to concert their 1986-90 national plans later this year.

Renewal of the Warsaw Pact could also present Mr Gorbachev, if he chose to take it, with an opportunity to give somewhat greater say in alliance decision-making to the East Europeans. The treaty will, it seems, be extended for 20 years with no change in its text and formal institutions.

While it seems unlikely that the Soviet Union will share its decision-making monepoly on nuclear policy, it is also true that the Warsaw Pact as an organisation has evolved over time and that the recent disquiet in East Germany and Czechoslovakia over playing host to new Soviet missiles might make it appropriate to give the East Europeans some of the influence in nuclear matters that they have gained in conventional military decisions.

The selection of Mr Gorbachev will be widely welcomed in most of Eastern Europe, particularly in Hungary, which has so far proved the most adventurous in pursuing economic reform and will now feel that it can continue with the act of encouragement of the top man in the Kremlin.

Indeed, Mr Gorbachev's victory will also give a push to internal economic reforms wherever else in Eastern Europe — Bulgaria, Poland, East Germany—it is being attempted.

The latest transition of power in the Kremlin is also likely to set East European parties looking at their own succession. Bulgaria, East Germany, Czechoslovakia all have leaders aged over 70. They have now been given food for thought on two counts. First, the lack of any organised way of handing on power, in the Soviet bloc, for instance, has led to the inefficiency, not to say unseemliness, of old men carrying on in office until their last gasp. Second, the arrival in the Kremlin of a 54-year-old General Secretary, by some years the youngest leader in the Soviet bloc, may help to speed transitions of power in Eastern Europe.

David Buchan in Budapest

Men and Matters

Moscow plays night music

By mid-morning (Greenwich Mean Time) yesterday sufficient evidence had *filtered out* of Moscow to convince western chancelleries thet the Soviet president, Konstantin Chernenko, was dead.

The BBC World Service was sure enough of its information to announce Chernenko's death on its 11.00 GMT World Service English language bulletin—*hours* ahead of the official Soviet news.

Duty staff st the 300-strong BBC monitoring service at Caversham, near Reading, were aware as early as 22.00 on Sunday night that there was the likelihood of a death among the Kremlin's senior ranks.

Their first indication was the substitution of solemn music on some Russian radio channels in place of the usual trailers of prngrammes for the next day.

Devid Owen, the BBC's assistant chief monitor for Russian services, was sufficiently intrigued to stay up all night listening to Russian radio stations and monitoring TV channels.

As the night went on he was impressed by the growing quantity of solemn music. As most of the radio output is directed to Russian listeners clearly they were being prepared for something.

Owen edmits he was surprised when Russian television opened up at 0800 Moscow time yesterday with a male announcer in casual tweeds, and a woman announcer wearing a bright blouse and a gaily contrasting tie.

Perhaps the Russian TV staff had not been warned to adjust their wardrobes.

But within an hour another announcer appeared in a black suit, and the radio stations were concentrating upon classical music.

'You watch the pump and and I'll watch the price!'

Digging deep

The good news is that Japanese engineers have this week completed the world's longest undersea tunnel, boring almost 54 kilometres between the northern islands of Honshu and Hokkaido. The bad news is that it took almost 21 years to dig, cost £2.5bn, and appears to be of little practical use to anyone.

The blasting of the final section of the Seikan Tunnel on Sunday saw the project finally brought in at three and a half times its original budgeted cost. Worse still, transport patterns have changed radically in Japan since the first earth was turned beck in 1964.

In that time, the state-owned *Japan National Railway's share* of passenger traffic has fallen from one half to one quarter, and its share of freight has slipped from one third to one fifteenth.

So original plans to run a pair of high-speed "bullet-train" tracks through the tunnel, linking Hokkaido with Tokyo, no longer looks so ettractive. JNR would find itself paying Y90bn e year to amortise the tunnel's construction costs, in order to run e train service which migbt itself lose Y10bn annually.

Still, such figures are rather small beer to JNR, whicb already has e total debt of over Y20 trillion (million-million), roughly equal to the external debt of Mexico. And, indeed, e compromise may yet be reached. With government *officials keen that the tunnel* should be seen to be used somehow, JNR is now likely to begin a conventional service in 1987-88, in the bope of losing *less money that it would* be using bullet trains.

Goode buy

Michael Waring, 38, the Sonth African businessman who has taken the reins at Goode Durrant & Murray, the London trade finance and banking *group, started out with ambitions* to be a lawyer. Bnt his father persueded him to belp with a family business trip to Japan and "I got hooked," he says.

After e two-year training spell with a Swiss commodities trader, Waring went back to the family's agricultural trading business in South Africa.

He spent the 1970s expanding turnover from R5m to R250m and turned a company dealing solely with South African farmers into one doing more *than half its deals* between third countries.

In 1978, Waring became e director and shareholder of Finansbsnk, then South Africa's only independent *merchant* bank, but five years later he sold his holding.

He has lived in London for *three years and, for the past 18* months, has been looking for e home for his funds. Now be bas found it in e 29 per cent stake in Goode, and became chief *executive. Goode* combines the banking and trade financing areas with which Waring is familiar. He plans to expand trade finance—now mainly concentrated on South Africa—into Australasia, and to develop Goode Durant Trust, its London licenced deposit taker.

In training

Jamaican-born Linbert Spencer, community liaison officer for Greater Manchester Council, takes over next month as chief executive of Project Fullemploy which, with the support of more than 900 Britisb companies, is now training over 1,000 young edults a year from inner city areas in commercial skills.

If the Government maintains its backing — ebout half of the £1.8m annual resources — the project's co-founder, Petrick Coldstream, says Spencer could lead the scheme into another expansionary phase.

Spencer, aged 36, was appointed to his present post after the Moss Side riots, and enjoys a high reputation for his work in inner city communities. He is a member of Prince Charles' Royal Jubilee Trusts' council, and the Archbishop of Canterbury's commission on urban priority areas.

Fullemploy now has 12 training centres in London, Bristol, *Glasgow and the West Midlands;* and it plans to open others shortly in Manchester, Liverpool and Bradford.

More than 70 per cent of its *trainees, so far, have* been placed in full-time employment. Eight out of 10 are from ethnic minorities, 60 per cent had no previous qnalifications, and just under a quarter had criminal convictions.

Spencer says: "Fullemploy's work has been a great success—but there is still a great deal more it could do."

Observer

Letters to the Editor

Business expansion scheme

From Mr R. Mully

Sir,—It is to be regretted that you have joined (leeder, March 7) in the chorus of indignant voices calling for the abolition of the business expansion scheme (BES) in the Budget.

There is no doubt that a substantial proportion of BES capital has been channelled into relatively safe, *second-stage* company financing; a tightening of the rules to exclude asset-backed investments in, for example, property *development* is certainly needed.

This should not, however, obscure the important role which the BES *has* played in improving the climate for equity risk taking and the supply of venture capital to small businesses. It remains a principal source of funds for investments in the problematic £50,000 to £100,000 bracket. As such, the BES bas a *crucial* role in overcoming the chronic undercapitalisation problems which bave long been a feature of the small *firm sector*.

Rather than wholesale abolition, therefere, existing rules need to be modified to encourage greater emphasis on high technology and start-np investments. For example, investmenta at present only qualify for tax relief after the company being backed hae traded for four months. This means that businesses cannot be financed under BES when in the development stage. Further, companies with overseas subsidiaries cannot at present qualify for BES relief. This prevents *many* small high technology firms which have had to establish foreign marketing subsidiaries from getting off the ground.

Most important *of* all, tax relief is currently allowed only when the fund has *invested* in a target company. This has caused investors increasingly to favour direct investments in single *projects*, because they become eligible for tax relief immediately. The high costs associated with attracting investments to *single* projects, bowever, makes small capital injections under £90,000 impractical.

Tax relief should be allowed as soon as the individual placea his money with a fund, with a clawbeck if the money is not *fully* invested within two years. This would also assist the development of small, localised BES funds which under the present *rules for tax relief* do not have enough time to find and evaluate suitable investments.

If the BES is given an opportunity to mature investors will, I believe, become attracted to the greater rewards offered by *new* ventures and accept risks when these are part of an overall portfolio that attracts income tax relief at the bighest marginal rate.

Richard Mully.
37 Hillcrest Road, W3.

Valuable source of knowledge

From Mr P McGregor.

Sir,— Mr Andrew Tessler (March 1) is wrong to say NEDO is not trying to convince *organisations one by one*, of the need for greater productivity . . . etc. When I left there were probably 25 to 30 specia*lists employed to do* just that, going out to hold meetings to discuss with managements and employees how a better performance can be achieved. Before I arrived at the NED Office I found that some of my more enterprising colleagues had already begun to try to reach out in this way, and the programme has been greatly expanded so that it uses up the greater part of the discretionary budget. But what proportion of the firms in the country *can be reached in this way?* So they have also to be taken in groups with mutual concerns (in the case of looking at the competition often *followed by* reports back to individual firms by those who have been on a mission). The cost of a really substantial "outreach" would run into millions, but the fact that such a programme cannot be contemplated should not obscure the very determined efforts which are being made.

I guess Mr Tessler is mixing np the NED Council, the sectorial EDC's, and the NED Office, when he accuses NEDO of 20 (it is actually 23) "wasted years."

The Council has failed to do what some had boped. Those who are not able to sit in on the discussions may undervalue the monthly discussions which take place between Government, CBI and TUC even when (as is usual) no particular conclusions are reached. But they have a value. It is sad that nothing more has so far been achieved. The last serious lost opportunity in my period of service was in early 1983 when what seemed to be a possible agreement to look at alternative economic programmes and the relationships of wage rises and levels to each perished in recrimination about changes in *the equations* built in to the Treasury model. The NEDC will not work unless the Government treats it as something more than *a* platform.

The NED Office is not an executive body, but it is vastly knowledgeable. It draws on the experience and opinions of hundreds of managers and trades unionists, and is itself well provided with access to information and the ability to deploy it. But it can't *make* anyone listen, least of all the Government, which is strongly disinclined to listen to any facts which do not clearly support its own current line. The Office can produce extremely valuable and non-partisan work which it is hard to see who else could produce.

The whole NEDC/EDC/NEDO set-up is a greatly under used resource. What it can deliver will depend very much *upon what the Parties* — but especially the Government decide that they want from it. Until now a good deal of its potential has been wasted. It is where it has had it within its power and resources to get action, that it has been most successful.

Peter McGregor,
Dacres,
Troutstream Way,
Loudwater, Herts.

The constitution of Pakistan

From the Minister (Information), Embassy of Pakistan

Sir,—I refer to the write-up (March 5) on the constitutional *amendments* in Pakistan by Alain Cass and M. Aftab. Some points need clarification.

The National Security Council will not be dominated by President Zia and his generals as *suggested*. It has a civilian majority and it is only an advisory body to meet in time of national emergency and its advice can be accepted or rejected by the Federal Government. Among its 11 members will be four military men and seven civilians, i.e., President Zia (who would retire from the army when be lifts Martial Law), the chairman of the Joint Chiefs of Staff Committee, the three Services chiefs, the Prime Minister, the chairman of the Senate and the four provincial Chief Ministers.

As in *many* other federal parliamentary constitutions, the President will appoint the Prime Minister who will have to secure a vote of confidence from the National Assembly within two months. This was also provided for in Pakistan's 1956 Parliamentary *Constitutinn*

As for the powers to appoint the Prime Minister and the Governors of tbe provinces and to dissolve Parliament, such powers are enjoyed by the *President* in many federal Parliamentary constitutions, including India's. Pakistan's 1956 Parliamentary Constitution gave the powers to the President. The recent constitutional amendments empower the President to dissolve the National Assembly on his own or on the advice of the Prime Minister bnt elections to elect a new parliament must be held within 100 days.

The President will have the power to ratify or return for review to the federal legislature within 45 days any bill submitted to him for approval. *In case*, it re-submits a returned bill to the President after due reconsideration, it will be obligatory for him to ratify it and *it will become law. Thus the* President cannot veto legislation passed by Parliament.

The President will appoint the provincial Governor but *the* provincial chief minister will be appointed by the Governor (with the President'a approval). The chief minister must command the confidence of the provincial legislature.

The newly elected National Assembly has been given the power to partially or totally annul President Ziaul Haq's constitutional amendments.

A weakness in the 1973 Constitution, framed under the Bhutto regime, was that it made bim the all-powerful Prime Minister with a figurehead President. President Ziaul Haq has, through his *amendments*, endeavoured to effect s balance between the powers of the President and those of the Prime Minister so *that while* the Prime Minister will be the chief governmental executive for administering the country. the President will be capable of *playing* a useful role in the affairs of state, especially in a time of crisis or national emergency. Excepting these amendments, the *1973 Constitution* bas been fully retained.

Qutuhnddin Aziz.
35, Lowndes Square, SW1

Gloved against contagion

From Mr I. Little

Sir,—The problem of svoiding the smearing black type of the FT upon one's fingers has been solved by one of the City's eminent merchant bankers. He, the manager of n banking department of one of our oldest and *largest* institutions, prefers always lo carry with him a pair of black leather gloves. Prior to reading the exalted columns of your newspaper, he dons his gloves and *escapes* this dreaded contagion of the written word. Perhaps some readers have devised other forms of self-protection?

Iain Little.
Flat 6,
14, Wetherby Gardens,
SW5.

Conflicts of interest

From the Chairman, Wider Share Ownership Council

Sir,—Whether or not "corporate raiders" are better ordered in Germany and Japan, you do well to draw attention (March *8) to the undesirable* developments in the U.S. and the danger of e worsening situation here.

Whatever may be said in favour of contested takeovers, they invariably produce or exacerbate conflicts of interest between management and sharebolders. What is insufficiently appreciated is that this epplies on both sides. The basic analysis *is* that in such takeovers (a) the directors and executives of the "victim" company stand to lose while their sharebolders stand to gain, (b) the directors and executives of the "predator" company stand to gain, while their sharebolders usually stand to lose. As yon imply, therefore, one should always specify in these matters the party about which one is talking rather than refer to "the company."

The focus of publicity, of conrse, is always on the "victim" company, and especially *so* in the U.S., where *threatened* managements beve developed a formidably arsenal of defensive weapons, culminating in the "*poison pill.*" *But temptations* are also to be noted on the other side: the interest of directors and executives always tends to lie in *expansion*, whereas the shareholder is concerned only in the profitability which expansion by no means *always* brings.

Edgar Palamountain.
94 St Paul's Churchyard, EC4.

Ethics and the civil service

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir,—I forbear from commenting on Sue Cameron's article on ethics and the civil service (March 5), but I should like to correct one mistake of fact.

If I had made the observation *she attributes to me*, that officials were "likely to leak because of discontent about career opportunities," that would indeed (as she says) have been insulting to the civil service. But I have never said that, and I do not for a moment believe it.

(Sir) Robert Armstrong.
70, Whitehall, SW1.

Too much time in the red

From Mr B. Fish

Sir,—I have been looking at the dotty posters used by British Rail to extol the punctuality of trains. As a regular traveller on inter-city services I am concerned and puzzled that I seem to spend so much time on the red dots.

To be within five minutes of scheduled time has become so noteworthy that I wish I had maintained full records during the course of spending well over £1,000 on rail travel.

The trouble seems to stem from BR's allocation of top priority to notional speed *rather than* to actual reliability. Most of the problems seem to arise from signal faults and similar failures, and one is inclined to wish that resources expended on the development of the dubiously viable HST had instead been concentrated on building greater reliability into the infrastructure.

Delays now suffered by 125s would carry even greater relative penalties when suffered by HSTs running at faster nominal schedules. I meet few fellow sufferers who would not prefer to travel reliably rather than (intermittently) slightly faster.

Brian H. Fish.
14, Stoke Hill,
Stoke Bishop, Bristol

Need for a defence industry

From the Director, Electronic Engineering Association

Sir,—I refer to your leader (March 6) dealing with the difficulties in connection with the defence budget in which yon query the necessity for a UK defence industry. Whatever the merits of the AWACs decision may have been, it should not be allowed to detract from the absolute need for a defence industry capable of supporting the weapons systems in service with our armed forces. So far as technological *spin-off* is concerned, there are a vast number of areas in the electronics industry which could be listed to illustrate that it exists far more widely than is generally supposed. The movement of electronic engineers from one department and one company to another in itself provides a cross-fertilisation of technology from military *to civil* and vice-versa.

All this should in no way detract from the principle of value for money and international collaboration, which the electronic capital goods industry fully supports. We must, however, beware of taking the latter policy too far. Our demonstrated ability to support, reinforce and elaborate nn the equipment being used in the Falklands conflict emphasised the need for a strong UK industrial base in order that we can retain our ability to pursue nur national interests independently from the views and pressures of others.

D. H. Gardner.
8, Leicester Street, WC2.

Obsessed by burglar alarms

From Mr B. Bligh

Sir,—The arguments put forward by Sir John Curtiss (Marcb 8) that the British armaments industry is good for technology and good for employment are so plausible; but are they?

The fact is that our two most successful competitors, Germany and Japan, have very little arms industry and do no research into weaponry.

The British case is analogous to a bouseholder who is obsessed with burglar *alarms*. For the past 40 years he has spent the best part of his income and ingenuity on anti-theft devices to the detriment of the bealth of his family and the education of his children. The water supplies and sewerage for his house are in a deplorable state. Many of the burglar alarms were expensive and inoperable (blne streak, TSR2 and many others). Furthermore some of the devices are so horrendous that if they are tripped off, they will *not* only maim the burglar, they will destroy the house!

Any householder who acted like this would be regarded as *foolish and irresponsible to his* family.

Britain's economic decline will never be halted until we change our *priorities; stop* investing in weapons and start investing in those features which truly improve our quality of life.

B. R. Bligh,
4, St James's Avenue,
Hampton Hill, Middlesex.

World trade in textiles

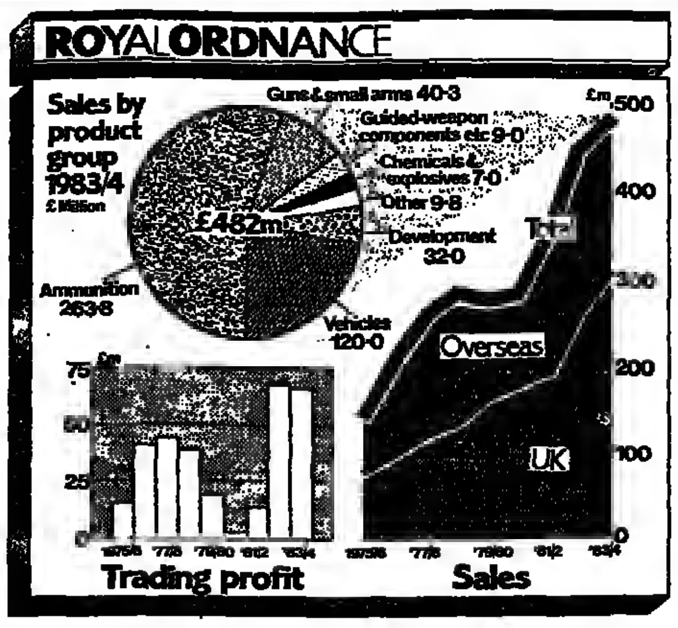
From the Director of Studies, Trade Policy Research Centre

Sir,—So far as the treatment of Hong Kong is concerned, Dr Neundoerfer (March 6) envisages two sorts of competitive suppliers: "ostensibly liberal" countries (whatever that may mean, wben applied to Hong *Kong*) and countries with distorted policies. According to Dr Neundoerfer, we should not trade freely with the latter because of their distortions, and we should not trade freely witb the former because they trade *freely* with the latter. That is known as Catcb 22.

On the effects of the multi-fibre arrangement on the European Community, Dr Neundoerfer asserts tbat the MFA is a protectionist arrangement which has virtually no effect on prices, but "a very substantial tariff rise" would be required to replace it. That is known as having one's cake and eating it.

On the "guaranteed market access" for "really poor developing countries" under the MFA, tell that to Bangladesh, recently the victim of restrictions on exports of shirts to the UK and France. *Observing this* treatment of a "really poor developing country" while reading Dr Neundoerfer's argument that it would be inappropriate to protect ourselves by an *erga omnes* tariff, which affected other industrialised countries, I conclude that what be is really saying is that free competition is fine so long as the competition is with those with whom it is possible to compete.

Martin Wolf,
1, Gough Square, EC4.



Privatisation problems

City prepares to bite the bullet

By Lynton McLain

EVERYTHING, they say, bas a price. But the proposed privatisation of the Royal Ordnance factories could turn out to be one of the most troublesome exercises so far in the Government's efforts to sell off state assets.

The chief worry is the company's lethal product range—bombs, bullets, rockets, explosives, tanks end guns for the British armed forces and for export—and the effect this may have on investors.

Stockbrokers and institutional investors wbo might buy Royal Ordnance shares when the business is floated in 18 months time alreedy fear the reaction of radical arms protestors and few brokers are burning to get their hands on tbe issuc.

But though the Government is confident the *proposed flotation* will cause no more difficulties than the sale of British Telecom, the marketing campaign for Royal Ordnance shares will bave to overcome obstacles besides the associations with death. In particular, the City ia concerned abont the Government decision to end its "preferred source" policy which almost guaranteed a market for Royal Ordnance products.

Royal Ordance plc, previously constituted as a trading fund, was formed on January 2 from the 400-year-old Royal Ordnance factories organisation. Its origins go back to the Royal *Powder Mill, Waltham Abbey*, founded in 1560, e site which is still used for rocket motor research. The business today, which employs 20,000 staff, comprises 11 arms and munitions factories, two other factoriea operated on behalf of the Ministry of Defence and two rocket and explosives research sites.

Unlike the defence companies already on the Stock Exchange, the Royal Ordnance business cannot be disguised as being anything other than at the "sharp end" of defence. British Aerospace and Vickers make missiles and tanks respectively, hut both companies have important non-defence activities. Royal Ordnance products are not benign, like the electronics and radars that make np much of the stock market's defence portfolio, though Mr Adam Butler, Mini*ster* for Defence Procurement, points out that it will probably not remain 100 per ceot in defence equipment after privat*isation*. It is possible that Royal Ordnance will enter the market for commercial explosives, in competition with ICI and others.

Royal Ordnance is seeking a less warlike image as it prepares for privatisation. It prefers to be seen dealing not in arms, but in "defence systems, subsystems and companies." At a "coming out" party last month, the Royal Artillery band was ordered to leave its brass trumpets behind. Martial music was banned.

The party was three months later than planned, thanks to vigorous opposition to Government *plans in the House* of Lords, a taste of the difficulties that lie ahead. To some extent the Government has only itself to blame for the potential problems. By submitting to parliamentary pressure to sell Royal Ordnance in a stock market flotation, it closed off less controversial options, sucb as selling the arms works one by one to industry.

Royal Ordnance is for the moment vested in the name of Mr Michael Heseltine, the Defence Secretary, who is seeking to raise between £300m and £350m from the sale.

The real work of trying to sell the *munitions* works is in the hands of City professionals. Lazard Brothers, the merchant bank, has been appointed to *advise Royal Ordnance and* N. M. Rothschild is advising the Government. Coopers and Lybrand has been appointed as auditor. Wolff-Olins, *design* consultant, has already re-designed the Royal Ordnance corporate image.

Of the greatest concern to investors is the Government's decision to end its policy of "preferred source" for munitions for the UK armed forces. That gave the Royal Ordnance factories a guaranleed outlet for the whole range of its products.

United Kingdom orders, for the army, Royal Air Force and Royal Navy, accounted for 63.5 *per ceat of the £481.9m turnover* of Royal Ordnance in 1983-84.

"Competition policy," bowever, bas repleced "preferred source" as the guiding criteria for defence equipment purchases by the Ministry of Defence.

The current bidding for the Army's new armoured personnel cerrier, *the MCV-80, illustrates* the point. GKN Sankey designed the vehicle end is to produce the first 250 vehicles with two further production contracts for a total of 750 vehicles to be announced sometime this year. The Royal Ordnance tank factory at Leeds might, in the past, have been expected to get the order to fill excess capacity. ROF Leeds, however, bas bad to tender for the orders in competition with GKN Sankey. Vickers and Alvis, part of United Scientific Holdings. All the companies bave spare capacity.

Royal Ordnance will beve to fight for more exports *in* all its products, in a world market where developing countries, sucb as Brazil and South Korea, are emerging as low-cost sources of ammunition and fighting vebicles. But exports bave not always been the ROF's strong point.

At the end of December 1978, well over half the total ROF order book related to one large contract with Iran. The cancellation of this contract in March 1979 was "devastating," according to Grieveson, Grant, stockbrokers. ROF profits collapsed from £40m in 1977-78 to £942,000 in 1980-81, a period when the company was also hit by *industrial disputes*.

The state ordnance factories have built munitions and fighting vehicles to the traditionally high standards demanded by the British armed forces, where one shell for a main battle tank costs up to £800. But these standards and prices might not be acceptable in the export markets which Royal Ordnance will be forced to tackle more vigorously from now on.

If the Government sticks to its timetable for the sale, Royal Ordnance will have only one full year of trading results, the 1985 calendar year, to prove *itself* in a *more competitive* and commercial environment.

Impending privatisation, some say, could encourage ROF to go for non-traditional products in its search for financial results less dependent on its UK home hase.

"Up to now, Royal Ordnance designers bave bad to design to the order of the British forces. This has bad the effect of *pushing* to one side the ROF's research initiatives," one City stockbroker said. "With commercial freedom, the ordnance factory at Radway Green, Crewe, the main bullet factory for small arms, might be better-off making lipstick cases."

Royal Ordnance factories took over responsibility for the *applied research, design and* development of their products from the Ministry of Defence researcb establishments on April 1, 1984. This included the transfer to the RO explosives division of the facilities, work and almost 1,000 staff of the Propellents Explosives and Rocket Motor Establishments at Westcott and Waltham Abbey and of the Summerfield site operated under an agreement with IMI Kynoch.

These changes bring together most of the UK'a rocket motor industry and capability in explosives and propellents technology. Royal Ordnance says they bring its explosives division into "world class."

Back in the City, bowever, much has to be done before the privatisation can go *smoothly*. If I telepboned a dozen fund managers and asked if they would be prepared to put their usual amount into Royal Ordnance next month, I would be told to get lost," a City defence analyst said. "Institutions have simply not made their minds up. Royal Ordnance remains an unknown quantity."

FINANCIAL TIMES

Tuesday March 12 1985

Rupert Cornwell in Bonn assesses the outcome of Sunday's state elections

Saarland success may shift SPD to left

WEST GERMANY'S Free Democrats (FDP) bave proved – not for the first time – they are the political equivalent of Lazarus. The country's two major parties, the Christian Democrets (CDU) and the Social Democrats, have meanwhile been left with a complex mixture of wounds to lick and triumphs to savour.

In persooal and political terms, bowever, the focus of all attention on Sunday night, as the results of voting in the Saarland, West Berlin and the state of Hesse flowed in, was the victory of Herr Oskar Lafontaine, the Social Democrat mayor of Saarbrücken, wbo captured the Saarland for the SPD for the first time.

His achievemeot is notable on many scores. It was the first time the SPD had woo any state from the right since 1966. It was an astounding personal plebiscite for a man whose cootroversial views and political magnetism bave made him a force far beyond his tiny impoverished state, wedged against the border with France.

The real message, however, is twofold. Almost singlehanded the 41-year-old Herr Lafontaine, or "Oskar" as he is known to friend and foe, bas sbown that the Greeo tide on Germany's left is not irreversible. The failure of the protest party to secure representation io the Saarbrücken assembly is its poorest electoral result anywhere since 1980.

This in turn raises a second questioo, which will dominate the counsels of the rudderless SPD in the months ahead: does the way forward lie in an unmistakahle shift to the left – in other words to aim at the "majority to the left of the centre," advocated by Herr Willy Brandt, the former Chancellor and SPD chairman (and Herr Lafontaine's political meotor)?

Underlying this strategy is the belief that the SPD will thus be able to absorb the bulk of Greeo voters – something that "Oskar" decisively achieved in the Saarland. The problem is, will the theory be vindicated elsewhere in the Federal Republic?

Sunday night – to the alarm of those who dread a leftward-beot SPD, spurred by Herr Lafontaine, returning to questioo German commitment to the ouclear deterreot and the Nato alliance in general – provided some clues that it could be.

PARTIES' SHARE OF VOTE (%)

Saarland	1985	(1980)	Seats	West Berlin	1985	(1981)	Seats
CDU	37.3	(44.9)	19	CDU	46.4	(48.0)	69
SPD	49.2	(45.4)	27	SPD	32.4	(38.3)	48
FDP	10.0	(6.9)	5	FDP	8.4	(5.6)	12
Greens	2.5	(2.9)	–	Alt. list	10.6	(7.2)	15

Simultaneously that evening the SPD was coming to terms with its worst postwar performance in West Berlin. True, Berlin is a special case, its electoral rolls swolleo by draft dodgers and others who have set up residence to benefit from the special status of the city. Candidates of the far left Alternative list mopped up much of the lost support.

The fact remains, though, that the Social Democrats were led to disaster there by Herr Hans Apel, who is not merely regarded as something of a carpetbagger from Hamburg, but among the last of the old guard from the SPD right, identified with the former Chancellor Helmut Schmidt.

Yesterday Herr Apel read the writing on the wall, and announced be would no longer lead the Social Democrats in West Berlin. A notable political career may thus be over: but the circumstances of his defeat provide wider ground for belief that the right wing of the SPD has little oow to offer, caught betweeo the Greens and the party leftists to one side, and an apparently reviving FDP to the other.

Herr Brandt himself is jubilant, claiming thet the Saarland is "a turning point in West German political history" which marked the start of the downhill road for the Greens. These latter are understandably crestfallen; the outcome on Sunday, however, can only strengthen the conviction of Green "fundamentalists" that serious dealings with the Social Democrats will only spell their own slow death.

Chancellor Helmut Kohl too, was yesterday less than his usual cheerful self, despite the CDU's success in retaining office in West Berlin. Saarland, be admitted, had been a clear defeat for the Christian Democrats – while their manifold setbacks in city hall voting in Hesse on Sunday will provide further food for thought.

But the star right now is without doubt Herr Lafontaine. On Sunday, for all his record of scaring the wits out of West Germany's Nato allies, and now his achievement in showing that the Greens are not invincible, he plainly had other, more immediate things on his mind.

The main task for the first SPD premier of the Saarland will be to hreathe new life into a flagging local economy, hit by the difficulties of Arbed Saarstahl, the steel concern, which in turn have contributed to a regional unemploymeot rate of over 14 per cent.

Herr Lafontaine feels the problems with personal acuteness. He was born into a coal mining and steel family, his mother was once a secretary in the company itself. Since then he has starred at everything he has turned his band to, be it football, study, or now politics.

His critics accuse him of pigheaded intellectual arrogance, but oo his home territory, Sunday proved that the Saarlanders just want the best available. And the region certainly needs it.

French shift to right, Page 3

Greek opposition calls for elections

By Andriana Ierodiaconou in Athens

MR CONSTANTINE Mitsotakis, the leader of Greece's conservative opposition, yesterday called for early geoeral elections, saying the country faced a major crisis after the surprise decision by the ruling Socialist Party not to support the re-election of conservative President Constantine Karamanlis in a parliamentary vote at the end of this week.

Mr Mitsotakis, wbo leads the New Democracy Party which was ousted from power by the Socialists in 1981, said his 112 MPs would cast blank ballots in the elections, for which the Socialists have oominated Mr Christos Sartzetakis, a supreme court judge.

The Government yesterday set in motion the procedure for amending the country's constitutioo in order to reduce the powers of the president in relatioo to the legislature.

It submitted to parliameot a proposal for reform whicb was unveiled on Saturday by Dr Andreas Papandreou, the Prime Minister. He also revealed that the Socialists had decided not to support Mr Karamanlis, wbo resigned the next day.

Mr Mitsotakis said yesterday: "The country is facing critical decisions oo major foreign and domestic issues, at a time wben it is being pusbed towards a oew period of tensioo. The only solution is immediate elections."

The Socialists, with 165 out of 300 seats, need the help of 13 Communist MPs and 10 independents to elect their candidate with the required three fifths majority. If Mr Sartzetakis is not elected parliameot is automatically dissolved for new general elections.

In the normal way these would be due in October, which marks the eod of the Socialists' four-year term.

The preseot constitution was introduced by Mr Karamanlis in 1975, after the fall of the colooels' dictatorship. It allows the President to dissolve parliameot if, in his opinion, it does oot reflect the popular will.

The speaker of the house said yesterday the next step would be to appoiot a 30-member committee made up of represeotatives of all the parties in parliameot io order to prepare a report on the amendment proposal, which would then be put to the vote.

For this too, the Socialists need a three fifths majority in two rounds of voting.

Italy surprises UN conference with $895m famine aid pledge

BY ANATOLE KALETSKY IN GENEVA

ITALY STUNNED the UN cooference on the famine in Africa yesterday by announcing a L1,900bn ($895m) new facility for aid to countries "stricken by emergency needs" throughout the world.

The pledge, delivered by Sig Francesco Forte, Italy's Minister for European Affairs, is in addition to an unexpectedly large contribution of $150m by Italy to a new fund for long-term developments in Africa launched by the World Bank last month.

Italy's generosity, which astonished delegates to the conference, reflected a growing recognition within the country of its international responsibilities, as well as public coocern about the crisis in Africa, according to Sig Forte. The L1,900bn fund would be spent over the next 18 months and the largest share of it would certainly go to Africa, he said.

Coupled with a promise from Mr George Bush, U.S. Vice-Presideot, to cover at least half of Africa's emergency food oeeds in the year ahead, Italy's pledge means that a goal of $1.5bn in emergency relief for Africa, set by the UN for the conference, has beeo met.

The U.S. cootributioo will consist of 3m tonnes of food aid, worth about $1bn in the next year, Mr Bush said. This compares with 1.4bn tonnes of food aid from the U.S. to Africa in 1984. Disputes between the White House and Congress, which have led President Ronald Reagan to veto the latest supplementary allocation of aid to Africa, would not significantly disrupt the U.S. emergency effort, officials at the conference said.

Other pledges of emergency assistance made at the conference incloded 400,000 tonnes of cereal, equivalent to $165m from Canada, and 1.25m tonnes allocated by EEC ministers at a meeting in December last year.

Mr Goshu Wolde, the Ethiopian Foreign Minister, was totally unrepentant in the face of accusations that his Government was preventing food from reaching areas under rebel control in Eritrea and Tigre.

"There is no populatioo group which is under the control of the terrorist bandits and therefore there is no need to send food to these people, who are really figbting the Ethiopian Government" be said.

James Buxton in Rome adds: Italy's L1,900bn fund to confront the problem of world hunger was approved by parliament a few days ago in response to pressure from both the left and from sections of the Christian Democrat Party.

The money was already in the aid budget but was put into a special fund to be managed with reduced bureacratic procedure to enable it to be spent very quickly.

In the past few years Italy has steadily increased its spending on aid as a percentage of gross domestic product, having formally been one of the smallest aid doners in the Organisation of Economic Cooperation and Development (OECD) countries. But it has had difficulty in developing the aid-giving organisation quickly enough to cope with the funds becoming available.

UK banks back Cairo sewer plan

By Joan Gray in London

SAMUEL MONTAGU, the London merchant bank, and the Midland Bank, have agreed to supply an additiooal £85m ($92.6m) ECGD-guaranteed project line of credit to the Arab Republic of Egypt to finance completion of the first phase of Cairo's oew sewer system.

The £85m agreemeot, signed by Samuel Montagu and the Egyptian Governmeot in Cairo yesterday, supplements the £100m credit for the project provided by Montagu and the Midland.

It will be allocated to Britisb-sourced procuremeot for the sewer project. Additional local funds – believed to be well in excess of £100m – will be provided through the Egyptian Governmeot's Ministry of Housing and Utilities for locally-sourced labour and materials.

Britisb companies working oo the Cairo sewer project include Lilley Constructioo, GEC Electrical Projects, and the joint venture of Tarmac, Balfour Beatty, Cementatioo, Edmund Nuttall and Arab Contractors which woo a £100m contract for the project in January.

The latest £85m will be used to fioance both completioo of cootracts already awarded and the remaining cootracts needed to finish the first phase of the system.

Saudis may swap oil for Mirage fighters

BY OUR TRADE STAFF

SAUDI ARABIA and France are understood to be close to concluding a $2bn countertrade deal in which Saudi oil would be traded for French jet fighters, according to Petroleum Intelligence Weekly, the U.S.-based petroleum industry publication.

Industry officials in Paris reported in January that France was negotiating the sale of advanced Dassault Mirage 2000 fighters. A sale of 46 aircraft was being considered as well as ancillary equipment.

The Freoch bid emerged after hopes faded that Britain would be able to sell £1bo in Tornado attack aircraft and Hawk trainers to the Saudis.

Dassault confirmed last night that talks were continuing but gave no details. Panavia, which builds the Tornado, was not available for commeot last night, but the Petroleum Intelligence Weekly report is the first suggestioo that the Franco-Saudi talks would almost totally involve barter.

The publication understands that the crude deliveries are expected to stretch over three years at a rate of about 70,000 barrels a day. If the deal weot through, it would be the second time in the last year that the Saudis have exchanged oil for aircraft.

Last summer the Kingdom concluded a $1bn deal with Boeing of the U.S. to trade 34m barrels of oil, delivered over three months, for the latest Boeing 747 jumbo jet aircraft.

The publication said a deal denominated at $2bn would equate to 73m barrels of oil, given the official price of $27.33 a barrel for the Saudi export mix with deliveries to be at 70,000 b/d.

The oil-producing countries of the Middle East are increasingly using oil in barter and countertrade deals.

India to finalise Harrier deal, Page 6

Al-Fayeds hold 51% of Fraser store group

Continued from Page 1

Earlier Lonrho had said that in view of the "strong possibility" of the Al-Fayed bid being referred the directors of Lonrho had decided to sell most of the group's 6.3 per cent in Fraser. The shares were acquired at the end of last year for a total cost of £29.4m after Lonrho had decided to sell its important strategic 29.9 per cent in Fraser to the Al-Fayeds.

Wheo Lonrho sold its shares last November it feared that the Monopolies and Mergers Commission would rule adversely against its own hid plans for Fraser. Ironically the Commission gave Lonrho clearance to bid for Fraser last week. Ahead of that decision the Al-Fayed family produced their offer of 400p per share in cash for the 102 stores of the Fraser empire in an effort to beat Lonrho with any offer.

Two of the Al-Fayed brothers, Mohamed and Ali, together with thair advisers from Kleinwort Benson, the UK merchant bank, had a 90-minute session at the Office of Fair Trading today to argue their case against referral. They were asked whether they had got the money to bid, whether it was theirs, and whether there would be any need to pay it back in due course.

Lonrho has already made its own submissions for a Monopolies Commission investigation in an effort to gain time to mount their own bid campaign. The brothers and their edvisers argued that there were no commercial or competition grounds for a referral. Their UK investments were in shipping and property, including a building in London's Park Lane and a castle in Scotland.

If Lonrho withdraws from the fray now it will bring to an end one of Britain's longest corporate battles.

UK oil pricing attacked by MPs

By Dominic Lawson in London

THE BRITISH Government is actively supporting the Organisation of Petroleum Exporting Countries (Opec) in the defence of an artificially high oil price detrimental to investment and employment prospects in the UK, the all-party Energy Select Committee of the House of Commons said yesterday.

"Collaboration with the Opec cartel, tax cuts financed from windfall North Sea revenue and the cushioning of oil companies from market realities are all secondary to the long-term well-being of the UK and its Western allies," argues the report, which is fiercely critical of the Government's oil policy.

The spur to the Committee's report on the Government's oil-price policiy was the spring supplementary estimate for £20m ($21.33m) to cover losses made by the Britisb National Oil Corporation (BNOC). The losses were incurred because BNOC, at the Government's request, has beeo prepared to pay more for North Sea oil than the free market price.

The committee held a similar investigation when the Government last December asked for a grant of £45m to cover BNOC losses. In its second report, it again accuses the Government of not openly admitting that its policy is to prop up oil prices in support of Opec.

Mr Ian Lloyd, a Conservative MP and chairman of the committee, said yesterday: "We are not just sheltering under Opec's umbrella. We are supplying one of the ribs of that umbrella. It appears that the Government keeps the closest possible continuing contact with Opec. This is indistinguishable from the operation of a cartel."

The report argues: "No one in Opec believes that the British Government does not involve itself in setting BNOC's price, but for reasons which remain opaque, ministers have been unwilling to admit as much."

It adds: "In the light of all the evidence, the committee feel that so far as the setting of the official price is concerned, the Government has been playing the key role, and that it should openly acknowledge doing so."

Having satisfied itself that the Government has been supporting Opec by taking the decisions to maintain oil prices above spot-market levels, the committee goes on to claim that that policy is itself damaging to Britain's economy.

The committee yesterday said it was "satisfied that the net effects of oilprice reductions of the order of 10–15 per cent once the economy has had time to adjust, will be a modest but very welcome net increase in total employment."

The Government has claimed that BNOC performs a useful role in stabilising oil prices in the short term. The committee says, however, that it "is not convinced that as presently constituted and as it currently operates, BNOC can perform this role."

The House of Commons is to hold a three-hour debate on the BNOC supplementary estimates on Thursday.

House of Commons Fifth Report from the Energy Committee. Government oil price policy and the spring supplementary estimate for £20m in respect of the British National Oil Corporation. (HMSO £7 net)

Norway undercuts BNOC price, Page 3; Spot oil prices, Page 38

THE LEX COLUMN

Noises on the Ericsson line

November's third-quarter statement had alerted the market to the prospect of poor 1984 results from Ericsson and yesterday the Swedish electronics group proved as good as its word.

The information systems divisioo has turned sharply into loss, leaving group income before tax and appropriations 11 per cent lower at SKr 1.57bn. The shares, which were being picked up by every Erisa fund worthy of the name only two years ago, closed in Stockholm at a humble SKr 259.

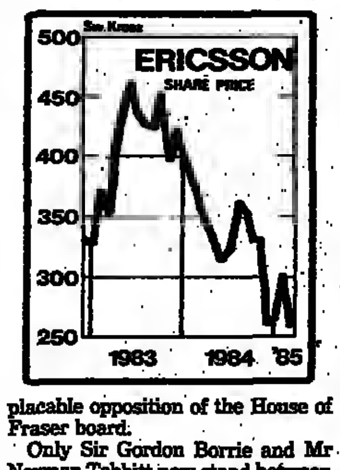
The striking reversal in Ericsson's fortunes is reminiscent of the problems at STC although, in marked contrast to the British company, Ericsson is manfully shouldering the blame itself.

The group was caught out by components shortages in both telecommunications and information systems last year, on top of which it suffered design and software difficulties. The upshot was a rising order backlog and a level of working capital which made the year-end balance sheet look unappetising even by Swedish standards.

Ericsson is adamant that it has put the informatioo systems division straight but the uncomfortable impression remains that the breadth of the group product range is leaving both its management and its finances rather stretched.

In common with other electronics companies Ericsson is on a treadmill of rapid growth – last year it invested SKr 4.5bn in fixed assets and R&D – the only alternative to which seems to be lost competitive edge. However much Ericsson spends someone across the Atlantic is always spending more.

The strategy of integrating telecommunications and computers is by now uncontroversial, but the stock market evidently has doubts about its likely success. Even if the group climbs back to the 1983 level of earnings this year, the current share price will represent less than 8 times earnings.



House of Fraser

Even in adversity, Lonrho is nothing if not original. Yesterday it imparted a new meaning to the reverse takeover by selling enough shares in House of Fraser to give the Al-Fayeds control and then suggesting that it was still intent on making an offer itself.

Lonrho has never been intimidated by long odds but even so skilful a tactician as Mr 'Tiny' Rowland must be daunted by the prospect of making headway against a 51.03 per cent shareholding and the implacable opposition of the House of Fraser board.

Only Sir Gordon Borrie and Mr Norman Tebbitt now stand between the Al-Fayed brothers and the pearly gates of Harrods. After being subjected to eight years of irritation and embarrassment, it would be most surprising if the Government did not opt for the path of least resistance and grant both parties leave to proceed.

No competitive issue is at stake in the Al-Fayed offer so the Monopolies Commission has no more of a role to play in the matter than the Milk Marketing Board. In the unlikely event that Mr Norman Tebbitt, the Trade and Industry minister, decides to investigate the credentials of the Al-Fayeds or indeed the beneficial ownership of their shares, his department should take on the job itself.

Official clearance would leave Lonrho with very few options indeed. The most it could hope for would be a 10 per cent stake, sufficient to preserve House of Fraser's public company status, annual reports and all. Since Lonrho would be guaranteed to receive no dividends from its investment, however, that course of action has precious little to recommend it.

A deliberately obstructive policy would at this stage only lose Lonrho the institutional interest which it has recently aroused. Having pulled his tanks off the House of Fraser lawn, Mr Rowland would be best advised to lead them in an orderly formation back to Cheapside House.

After all, the Dorchester may be for sale one day and he could buy that instead.

Dollar

Foreign exchange dealers spent most of yesterday blowing any remaining froth off the dollar. Compared with Friday's close it fell more than 7 pfennigs against the D-Mark and 2p against the pound and in London, at least, there seemed to be more short than long positions around.

For the first time since last autumn dollar holders appear to be nervous not just about central bank intervention but also about the state of the U.S. economy.

Recent surges in U.S. money supply have not provoked any explicit tightening by the Federal Reserve, which monetarists at least will take as bad news for inflation. If the Fed does not tighten now it may soon find its hands tied by the real economy, where the current round of statistics seems to show growth slowing from last year's frenetic pace.

With a weaker dollar and three-month sterling interbank at just 13¼ per cent, the UK clearing banks must now be under some pressure to shave a token ½ per cent off base rates before the budget – particularly if today's money supply figures are respectable.

Given the Government's prodigious funding during banking February, there is every reason to suppose they will be.

Entrad/Tootal

Entrad's latest blast at shareholders of Tootal does not add greatly to the sum of knowledge. Entrad's marketing expertise in the Pacific Basin remains no easier to value than the strength or not of Tootal's brands in the UK, and the bid will surely not be decided on evidence of poor communications and defective orthography at the Australian subsidiary of the defending bank.

As it is, the market and the friends of Tootal are having no difficulty keeping the company just out of reach of Entrad's offer at 70p a share – by a penny, to be exact.

Any Tootal shareholder inclined to accept his company's claim that Entrad is some sort of cipher does learn of a group with a truly Australian level of balance sheet gearing, but one able to persuade Citibank to put up funds for the acquisition.

The prospect of another rights issue to refinance the acquisition, as occurred after the Bradmill purchase, is scarcely the affair of Tootal shareholders. Whatever the discreet support for the share price it is signalling that Entrad should go higher, and if Entrad does decide to end the phoney war and add 5p or so, it is hard to see what Tootal could offer in reply.

A forecast of increased 1985-86 profits on the basis of only two months will carry little more conviction than promises of increase in an uncovered dividend.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Dubrovnik	C	10	50	Malaga	S	17	63	Salzburg	C	2	36
Akrotiri	S	18	64	Faro	S	17	63	Malta	F	17	63	Seoul	S	5	41
Algiers	C	12	54	Florence	S	11	52	Manila	S	33	91	Singapore	F	31	88
Amsterdam	F	9	48	Frankfurt	D	3	37	Miami	F	23	73	Stockholm	C	-3	27
Athens	F	10	50	Funchal	C	17	63	Milan	F	8	46	Strasbourg	C	5	41
Bahrain	S	18	64	Geneva	S	6	43	Moscow	C	-6	21	Sydney	F	24	75
Bangkok	S	35	95	Gibraltar	F	15	59	Munich	Sn	-1	30	Taipei	C	10	51
Barcelona	-	—	—	Guernsey	Fg	7	45	Nairobi	F	26	79	Tangier	S	17	63
Beirut	S	17	63	Helsinki	S	3	37	Naples	F	14	57	Tehran	—	—	—
Belgrade	C	2	36	H. Kong	C	15	59	New Delhi	S	29	84	Tel Aviv	F	18	64
Berlin	C	1	34	Innsbruck	F	7	45	New York	C	15	59	Tenerife	—	—	—
Biarritz	S	10	50	Inverness	F	7	45	Nice	S	15	59	Tokyo	R	3	37
Blackpool	R	6	43	Istanbul	C	5	41	Oporto	S	17	63	Toronto	F	7	45
Bordeaux	S	12	54	Jersey	C	8	46	Oslo	Sl	1	34	Tunis	F	15	59
Brussels	F	9	48	Jo'burg	S	21	70	Paris	S	9	48	Valencia	S	17	62
Budapest	C	2	36	Las Palmas	F	20	68	Prague	F	1	34	Venice	S	8	46
B. Aires	F	31	87	Lima	F	26	79	Reykjavik	Sl	3	37	Vienna	C	1	34
Cairo	S	22	72	Lisbon	S	16	61	Rio de J'o	C	35	95	Warsaw	F	-1	30
Cape Town	S	24	75	Locarno	F	8	46	Rome	F	15	59	Zurich	C	3	37
Caracas	C	27	81	London	F	12	54								
Casablanca	S	17	63	Los Angeles	C	20	68								
Copenhagen	C	-1	30	Luxembourg	S	6	43								
Corfu	C	14	52	Madrid	S	13	55								
Dublin	S	9	48	Majorca	F	14	57								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday March 12 1985

Ohio savings bank falls victim to ESM failure

BY PAUL TAYLOR IN NEW YORK

THE EFFECTS of the failure a week ago of ESM Government Securities, a Florida-based government bond dealer, bave spread to Ohio and estimates of the potential losses stemming from the collapse have grown to around $500m.

Ohio state officials were yesterday scrambling to find a buyer for one of the state's savings banks, the Home State Savings Association, whose doors were closed on Saturday and remained closed yesterday after a $20m run on deposits. The withdrawals were sparked off by its involvement with ESM, closed down by the Securities and Exchange Commission last Monday.

Separately, the Federal Reserve Bank of Cleveland issued an unusual statement saying that it "is aware of the unique events at Home State Savings bank growing out of certain transactions" and noting that Home State, like other state-chartered saving and loan associations, is eligible for liquidity assistance through the Fed's discount window.

Ohio's governor's office confirmed that discussions about a possible sale of the savings bank – whose $450m in deposits are not covered by federal insurance but are insured by the Ohio Deposit Guaranty Fund – were continuing yesterday. On Sunday the state named a conservator for the bank after initial discussions with potential buyers apparently failed.

Home State is owned by Mr Marvin Warner, a Cincinnati financier and business associate of a former ESM director. Mr Warner, a former U.S. ambassador, was a major shareholder and chairman of American Savings and Loan Association of Miami until he sold his shares and resigned in January. Mr Ronnie Ewton, who resigned as ESM head last month, was also a former director of American.

Last week American Savings watched its shares plunge in the wake of estimates that could it have lost between $25m and $60m by lending securities to ESM. Mr Morris Broad, American's chairman, has said the S & L is solvent.

Home State's problems are the latest indicator that the repercussions of ESM's failure could be worse than initially expected. The SEC originally indicated that losses through investments with ESM could total $250m to $300m. Yesterday the SEC said it was now "comfortable" with the higher estimate of $500m but stressed that the full extent of ESM's losses have still to be determined.

If the latest estimates prove correct, ESM's failure would be bigger than that of Drysdale Government Securities, which collapsed in 1982 with $300m in losses. Since then there have been several other failures in the U.S. Government securities market.

The SEC ordered ESM closed last Monday and obtained a court order freezing its assets as details of its fragile financial condition and allegations of mismanagement and fraud began to mount.

Since then the repercussions of the collapse have begun to reverberate through the U.S. financial system.

Computer decision hits Coleco

BY OUR NEW YORK STAFF

COLECO, the U.S. toy manufacturer which announced plans to withdraw from the home computer market earlier this year, yesterday reported losses of $93.2m for the fourth quarter and $79.8m for the full year.

The latest figures compare with net losses of $35m and $7.4m in the corresponding periods a year earlier. Sales grew by 37 per cent to $240.9m in the final quarter and by 30 per cent to $774.9m in the full year.

The losses had been expected following Coleco's decision in January to stop production of its ill-fated Adam home computer system and concentrate on its profitable toy products, which include the Cabbage-Patch range of dolls.

Coleco said the full-year losses included a $118.6 pre-tax deficit resulting from its decision to abandon home computers and a $140m pre-tax loss from consumer electronics, partly offset by a $208.6m pre-tax profit from traditional toys.

In the previous year the company had a pre-tax profit of $17m from toys and a $22.3m loss from consumer electronics.

The company said sales of traditional toys totalled $676.3m last year, including Cabbage-Patch doll sales of $540m, compared with $192.6m in 1983.

Coleco added that it had reached agreement with bank lenders to extend its credit agreement through 1985

Citicorp in interstate banking deal

BY OUR NEW YORK STAFF

CITICORP, the world's largest banking group, has reached an agreement with officials in Maryland which would allow the New York-based group to establish a full-service bank in the state.

Under the agreement, which marks Citicorp's latest attempt to extend its geographic base, Maryland's governor has agreed to support state legislation which would allow Citicorp to set up a federally chartered commercial bank with full banking powers. In return Citicorp has promised to set up a credit-card processing centre in the state which will employ 1,000

The deal represents another move by the banking giant to skirt legal restrictions over inter-state banking. It has been fiercely criticised by local bankers in Maryland who fear the implications of direct competition with Citicorp.

Hitachi mainframe challenges new IBM

By Louise Kehoe in San Francisco

THE U.S.-Japanese race for supremacy in mainframe computer technology was accelerated yesterday with the introduction of two powerful computers by Hitachi which will compete directly with IBM's Sierra series, launched last month.

National Advanced Systems (NAS), a subsidiary of National Semiconductor which markets IBM plug-compatible computers made by Hitachi, said the two new Japanese computers will be available in the U.S. between April and June 1986, a year before IBM plans to begin shipments of the high-performance version of the Sierra.

"NAS will be the first to market with this class of high-performance computer," promised Mr David Martin, company president. Beating IBM represents a major achievement – until now, plug-compatible computers have trailed IBM's introduction of new models.

The new models, the AS-XL-60, which runs at about 20m instructions per second (mits) and the AS-XL-80, rated at about 40-45 mits, will sell for about $4.8m and $8.9m respectively. IBM's 3090 model 200, available in November, is priced at around $5m while its model 400, due in mid 1987, will sell for about $9m.

NAS also introduced a double-capacity disk storage system which directly corresponds to a similar system introduced by IBM earlier this year. In addition, the company will offer a series of cache-memory controllers for the disc storage system.

Southwest Airlines buys rival

By Our Financial Staff

SOUTHWEST Airlines, the Dallas carrier, has entered an agreement to buy Muse Air, its struggling rival, in a complex cash and paper deal.

Each of Muse's 4.6m shares will be exchanged for $6 in cash, ⅛th of a Southwest common share, and ⅛th of a five-year warrant to buy one Southwest share at $35. Muse has a market capitalisation of about $40m.

For Southwest, the proposed acquisition will eliminate its major competitor and give it a virtual monopoly in its Texas markets. Muse Air competes with Southwest in almost all the cities it serves from Dallas' Love Field airport and Houston's Hobby airport.

The transaction will mark the end of Muse Air as an independent carrier. The carrier has never returned an annual profit since it was founded by Mr Lanar Muse and his son, Michael, in 1981. It has more than $100m in debt and last year reported a loss of $17m on revenues of $101m.

Muse has not been able to wrest much traffic away from Southwest on the routes in the south-western U.S. where the two carriers compete.

Loss mounts at French Shell

PARIS – Shell Française said yesterday that deteriorating refinery margins, oil market weakness and stiff competition caused its 1984 loss to widen to FFr 1.07bn ($103m) from FFr 296m a year earlier.

Consolidated sales totalled FFr 33.3bn, up 7.5 per cent from a year earlier. Bolstered by a rise in export activity, the company's oil sales rose to 14.4m tonnes from 14.2m tonnes in 1983. French sales were slack, and Shell's domestic market share declined to 10.7 per cent from 12 per cent in 1983.

The sales increases were largely offset by a decline in refinery margins, which led to a FFr 822m net consolidated cash flow deficit in 1984. Shell had a cash flow surplus of FFr 45m in 1983. AP-DJ

INFORMATION SYSTEMS DIVISION PLUNGES INTO LOSS

Ericsson holds dividend despite 10% downturn

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, suffered a drop in profits of 10.7 per cent last year and fell beavily into loss in one of its most important business areas, information systems.

The group is maintaining its dividend at SKr 9, but the profit performance has deeply disappointed investors. The share price has virtually halved in recent months from its 1983 peak of SKr 483.

In Stockholm yesterday it was trading at around SKr 259, althougb it staged a small recovery later in New York.

Group profits before taxes and allocations to reserves dropped to SKr 1.57bn ($163m) from SKr 1.76bn in 1983.

Sales climbed by 16 per cent to SKr 29.38bn from SKr 25.24bn in 1983. Foreign exchange movements accounted for some 1.5 percentage points of the increase.

The value of new orders booked last year rose faster than sales to SKr 33bn from SKr 26.14bn in 1983, an increase of 26 per cent.

Public telecommunications, the traditional core of Ericsson activities, provided no less than 87 per cent of group operating profits – at SKr 1.93bn, up from SKr 1.65bn in 1983 – on sales of SKr 9.7bn, a third of the group's total turnover.

Information systems, which hold the key to the hoped-for transformation of Ericsson from a supplier chiefly of public telecommunications equipment to a more broadly-based manufacturer, plummetted to operating losses of SKr 217m, compared with SKr 237m profits in 1983. Sales rose to SKr 9.29bn from SKr 7.45bn a year earlier.

The radio communications division also showed an operating loss of SKr 32m, against a profit of SKr 31m in 1983.

In the U.S., which is Ericsson's big bope for growth, the company suffered losses of SKr 353m compared with a loss of SKr 225m in 1983, but it has now disposed of two loss-making power cable companies and is concentrating operations on telecommunications cable.

Ericsson said that the sales increase during the second balf of 1984 had been limited by a shortage of components in many business areas. In addition, both information systems and radio communications had been hit by problems in the design and manufacture of new products.

The information systems area has been reorganised and a new management appointed. Ericsson said that a comprehensive programme had been undertaken to improve profitability, partly by concentrating product and marketing programmes.

These measures should "gradually improve income and will become fully effective during the latter part of the current year," the company said.

The group's equity to assets ratio has declined from 31 to 27 per cent, due partly to what the company claims was an "abnormally high level" of working capital at the end of last year, reflecting large deliveries during the final quarter.

Lex, Page 18

THE FREEZE on Swedish dividend payments imposed for 1984 earnings is to be lifted for 1985 profits, according to Mr Erik Asbrink, under-secretary at the Finance Ministry.

In an interview with the Swedish news agency, TT, he said that the Finance Ministry had no plans for extending the freeze.

Many Swedish corporations have reported record earnings for 1984 and despite dispensations several big companies have indicated that dividend payments would have been much higher without the freeze.

The freeze on dividends was introduced last spring as part of a government package aimed at cutting inflation and encouraging moderate wage agreements. The strategy failed, however, and Swedish inflation climbed by more than 8 per cent last year, double the Government's official target.

Despite the freeze more than 80 Swedish corporations have received a dispensation to raise dividends, mainly on the grounds that higher payments had been promised in prospectuses issued to investors, chiefly abroad.

Taiwan minister quits over Cathay

By Bob King in Taipei

MR HSU LI-TEH, Taiwan's Minister of Economic Affairs, resigned yesterday after accepting some of the responsibility for events that played a part in the $250m collapse of key members of the large Cathay group of companies.

As Minister of Finance from 1982 to 1984, Mr Hsu accepted "moral responsibility" for developments during his term that have led to the country's biggest-ever financial scandal. Members of parliament are also demanding the resignation of Mr Loh Jen-Kong, the current Finance Minister.

Four weeks ago the police arrested executives from Tenth Credit Co-operative and from Cathay Plastics Industries as cheques for payments made by them were not met by banks. Snbsequently the Taiwan Government has had to take over Cathay Investment and Trust which had been brought down by guarantees made to cover loans to the other companies.

A week ago Mr Tsai Chen-Chou, a member of parliament and chairman of both Tenth Credit and Cathay Plastics, was detained and charged with issuing bad cheques, forgery and channelling funds from Tenth Credit to other members of the widely spread family business empire.

Mr Hsu has been criticised in the press and in parliament over the past few weeks for not acting while Finance Minister to stop lending irregularities at the Tenth Credit Co-operative, one of roughly 70 companies that make up the mammoth Cathay group.

INTL. COMPANIES & FINANCE

Jardine offshoot suffers decline

JARDINE Securities, a subsidiary of Jardine Matheson, suffered a fall in its net income in 1984 to HK$18.3m ($2.3m) from HK$65.4m in the previous year, largely because of a sharp decrease in dividend income. AP-Dow Jones reports.

The Hong Kong-based company said its assets, after provisions for a final dividend, grew by 28 per cent in the year to HK$1.14bn or HK$12.22 a share, from HK$888.7m or HK$9.53 a share, in 1983. Gross revenue for 1984 was HK$23m.

Jardine Securities has a 34 per cent stake in Hongkong Land Co, the share price of which grew to HK$3.80 at the end of 1984 from HK$2.90 at the end of 1983. Because Hongkong Land ceased paying dividends last year Jardine Securities' income declined, the company said.

Jardine Securities declared a final dividend of 20 cents. It paid no interim dividend. In 1983, the company paid dividends totalling 70 cents a share.

● Wardley Holdings, a wholly-owned merchant banking subsidiary of Hongkong and Shanghai Bank, reported a net profit for 1984 of HK$83m, up from HK$75m in the previous 12 months.

The company paid its parent dividends totalling HK$60m, the same as in 1983.

Mr William Purves, Wardley's chairman, said the company's business remained at a high level. Nonetheless, he said, the company has moved to streamline its board structures and redefine its major businesses as investment management, corporate finance, capital markets, project finance and broking services.

Brazil bank boosts annual profit 17%

BY ANN CHARTERS IN SAO PAULO

BANCO do Estado de Sao Paulo (Banespa), the country's second largest semi-public sector bank after the Banco do Brasil, lifted earnings 17 per cent in real terms to Cr 589bn ($49m). This is calculated on an average exchange rate for 1984 and compares with a profit of Cr 24bn in the previous 12 months.

The bank said that during last year it had been successful in attracting deposits, principally from the private sector. Demand deposits from the private sector grew in real terms by almost 10 per cent.

As a result of a new policy by Brazil's central bank requiring reserves to cover non-accrual loans from public sector companies Banespa increased its provisions for delayed loan payments from Cr 21bn at the end of 1983 to Cr 145bn at the end of last year. Previously, the central bank had not required banks to make provisions for overdue loans to public sector companies since it assumed that the Government would ultimately assume payment of outstanding debts.

The central bank pointed out that the loans were not to be regarded as uncollectable.

Italcable up 75%

BY JAMES BUXTON IN ROME

ITALCABLE, the publicly-quoted company which handles Italy's overseas telecommunications, last year benefited from a sharp rise in intercontinental telephone traffic and an improvement in efficiency.

Net profits rose by 75 per cent to L44.7bn ($21.2m) on revenues of L 428bn — an improvement of slightly under 30 per cent on the 1985 figure.

Italcable handles virtually all telephone and telex traffic between Italy and countries outside Europe. Just over 60 per cent of the company is held by the IRI-Stet group, controlled by the state. The company is quoted on the Milan stock exchange.

The company attributes its revenue increase to favourable world economic conditions. Terminal traffic for telephone services rose 18.5 per cent in 1984 and telex services saw a 14.6 per cent rise in traffic.

Norwegian joint venture

BY FAY GJESTER IN BERGEN

A LEADING Norwegian bank and an insurance company are joining forces with a research institute to form a new venture capital firm, Venture Invest, with an initial capital of NKr 75m ($7.7m). All three, Bergen Bank, Vesta Insurance and the Chr. Michelsens Institutt are based in Bergen, and the new company will have its head office either there or in Oslo.

Companies in the Vesta Group will put up 40 per cent of the share capital, and Bergen Bank 20 per cent. The remaining 40 per cent will be offered to "four or five successful companies which can contribute technical know-how in growth sectors," according to Vesta.

Venture Invest's strategy will be to take minority stakes in companies with promising products and good growth prospects.

Framatome plans to buy Sidem

By Our Paris Staff

FRAMATOME, the French nuclear power reactor manufacturer, is seeking to take control of Société Internationale de Dessalement (Sidem), the country's leading manufacturer of desalination units as part of its overall diversification policy.

Framatome is negotiating to buy 60 per cent of Sidem by taking over the 35 per cent owned by the state atomic energy commission (CEA) and the 25 per cent held by Société Lyonnaise des Eaux, the private sector water group. The remaining 40 per cent will continue to be held by Technip, the French construction group.

Framatome, which with Usinor, state steel company, is taking over important parts of Creusot-Loire, the bankrupt engineering group, is expected to report a profit of only around FFr 10m ($1m) for last year, down from FFr 20m in 1983. This is because of provisions on its exposure to Creusot-Loire. The engineering group previously held 50 per cent of Framatome's capital, with the other half owned by the CEA.

Creusot-Loire has been put into liquidation owing Framatome FFr 1.2bn — a sum which will mainly have to be written off.

Sharp fall for Singapore property group

SINGAPORE — United Overseas Land (UOL), a 31 per cent owned associate of the United Overseas Bank group, plunged to a S$4.5m (U.S.$1.9m) net group loss in the second half to the end of December, from a S$23m profit in the corresponding period a year earlier.

The group said that, including its 55.6 per cent drop in first-half earnings, full year 1984 profit fell to S$6.9m, down from S$28.1m a year earlier.

Turnover of the property development and hotel management group slumped 38 per cent to S$84.8m in the full year.

UOL said the outlook for the property and hotel sectors remained sluggish and that prospects for the current financial year did not appear encouraging.

The sale of land at Jervois Road in Singapore contributed some S$9.3m of after-tax group earnings: in 1983, the Jervois Road parcel had contributed S$19.4m.

UOL declared a dividend of 6 cents, down from the previous full-year payout of 11 cents. Issued capital grew to 126.7m shares at the end of 1984 from 117.2m a year earlier. AP-DJ

INTERNATIONAL COMPANIES and FINANCE

ICH deep in the red after heavy property provisions

BY DAVID DODWELL IN HONG KONG

INTERNATIONAL CITY holdings (ICH), the Hong Kong property group controlled by Mr Li Kashing, yesterday reported a net loss after tax of HK$ 283m (US$ 36.3m) for 1984 compared with a 1983 profit of almost HK$ 98m.

The property group has had a cloud hanging over it since July last year, when it revealed that the mainland Chinese-backed Everbright Industrial Holdings had withdrawn from an egreement to buy from it e HK$ 1bn luxury property development. Hong Kong's Securities Commission, which is responsible for policing the local securities industry, has since set up a tribunal to investigate possible insider share trading in ICH in connection with the ebortive deal.

The 1984 loss includes a HK$ 372m provision for a fall in the value of resale properties, and an extraerdinary loss of HK$ 10m for the fall in value of land held as a fixed asset. No final dividend is being recommended.

The ICH board yesterday said the heavy provisions had been "unavoidable" because of the steep fall in property values since the company was floated in 1981. The group noted, however, that the property market had begun to improve late in 1984. e a result, Mr Li said he was optimistic about prospects in 1985, suggesting that no further provisions should be expected.

Mr Li controls ICH through his flagship company Cheung Kong Holdings, and through Hongkong Electric, the utility company in which he recently ecquired a 34 per cent controlling stake for HK$2.9bn.

The tribunal inquiring inte share dealings in the company was set up in October last year after a three-month investigation by the Securities Commission into the aborted sale of phase one of the City Gardens development to Mr Wang Guangying's Everbright Industrial Holdings. It is only the second time in Hong Kong's history that such e tribunal has been set up.

When reports of the deal were first leaked in January last year, ICH's share price rose significantly, as did several stocks in the depressed property sector.

However, what the market had thought was a firm commitment from Everbright was in fact no more than an option to buy. This only became clear at the end of June, when Mr Wang withdrew from the deal in an announcement that rocked the local stock market. The inquiries of the three-member tribunal are still in progress.

● Drexel Burnham Lambert's Hong Kong office plans to reopen its spot gold-dealing operations in Hong Kong, reports AP-DJ.

Mr Marc Feber, Drexel Burnham's branch manager in Hong Kong, said the firm would resume dealing in spot gold after an eight-month ebsence from the Colony's spot market. Drexel Burnham opened its Hong Kong office, including e gold-dealing desk, in 1978. It closed its gold-dealing operations in early 1984, when bullion prices began to sag.

Drexel Burnham's decision to rejoin Hong Kong's spot gold market comes two weeks after two major bullion houses, Dean Witter Reynelds and Mansien House Securities, pulled out because they said the falling market had hurt their business.

Korean venture for W I Carr

BY STEVEN B. BUTLER IN SEOUL

W. I. CARR SONS AND CO (Wico), has completed its purchase of 5 per cent stake, for 1bn won (C$1.2m), in Daishin Securities Company. This makes Wico the first foreign firm to enter into e joint-venture with a Korean securities company. More joint-ventures involving Korean and foreign securities firms are expected in the near future.

The agreement marks an important step in the internationalisation of the Korean securities industry. Korean securities companies hope to use the joint-venture to increase their ability to perate in foreign markets. Foreign investment firms hope the joint-venture will give them an edge in Korea, where the securities market is slowly being liberalised.

The Korean Government authorised foreign equity participatiou in security firms last July, limiting foreign ownership to 10 per cent. Several joint-venture agreements were near completion late last year, when the Finance Ministry imposed two rules that a Korean security company could uot issue preferred stock to a foreign partner, and could not enter into agreements with more than two foreign partners.

Uuder the terms of its agreement with Daishin, Wico cannot invest in any other South Korean securities firm. Daishin is expected to sign a similar five per cent equity agreement with Yamaichi Securities of Japan later this month.

The Ministry of Finance has fixed a minimum paid-up capital requirement of 20bn wen before a securities firm can enter into joint-ventures with foreign partners. Besides Daisshin, Ssangyong Investment Securi- Daewoo Securities, Lucky Securities, and Dong Suh Securities meet the requirement.

Sharp increase for Brierley

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS, the master company of Australasian financier Mr Ron Brierley, more than doubled from NZ$12.4m to NZ$27.7m (US$12.5m) for the six months to December [illegible] from associates compared with NZ$944,000.

The company expects the good performance to continue in the second half but at a lower level.

Shareholders have the option of a dividend of 4 cents a share or buying a special share issue at 90 per cent of the current price.

● New Zealand's Commerce Commission has said that Brierley Investments may not lift its stake in New Zealand News above the approved 40 per cent limit, Reuter adds.

Burns Philp shows better results at midway stage

SYDNEY — Burns, Philp and Co, the trading, investment and shipping group, said a concentration of resources on industries in which it has competitive strength should result in a continuation of improving results.

The company reported net earnings of A$13.69m (US$9.3m) for the half year to December 31, up from a revised A$10.53m a year ago.

The results are not directly comparable because the previous year's figures included earnings of the company's Robe River iron ore unit, which was sold in late 1983. The sale of Robe River accounted for the fall in turnover to A$616.72m from A$640.19m.

The interim profit was struck after tax of A$5.05m, interest of A$14.48m, depreciation of A$6.24m and minorities of A$2.21m but before a net extraordinary loss of A$446,000. An interim dividend of 9 cents, up from 7.5 cents, has been declared from earnings per share of 21.1 cents.

Increased profits from food, hardware and shipping sectors helped improve the results, the company said.

Other factors included a return to marginal profitability by Burns Philp (PNG) and a general rise in earnings from other Pacific operations.

A recovery by the listed subsidiary Hanimex Corporation, the continued elimination of loss-making activities, and lower interest expenses also boosted earnings, the company said. Reuter

Unease in Malaysia over impact of Daim Zainuddin

By Wong Sulong in Kuala Lumpur

A FEELING ef uneasiness is sweeping through Malaysia's financial and business community in the wake ef the resignatien of Tan Sri Aziz Taha as gevcrnor ef Bank Negara, the central bank.

His leeving ends e long-running battle with Mr Daim Zainuddin, the Finance Minister, over the management of the economy, menetary policy, and, in particuler, on efforts to hoost the depressed stock market.

When the 46 year old Daim—one of Malaysia's richest entrepreneurs and a clese confidante

Mr Daim Zainuddin—wants fast results

of Dr Mahathir Mohamad, the Prime Minister—was appointed Finance Minister last July, bankers and the business community hailed the move and waited expectantly for bold economic initiatives.

"Daim is certainly creating a big impact. He is very decisive and wants fast results. But I am now uot sure whether it is good or bad fer Malaysia" says a foreign businessman. "He seems to be concentrating on hoosting the stock market, when he should be hoosting the economy."

There has been much talk about a more liberal foreign investment regime, but very little has been decided. Foreign investors remain sceptical about the government's long-term intentions, as well as the bureaucracy's ability to shake off its negative attitude towards private enterprise.

It is well knewn that Aziz Taha and Daim differed on fundamental issues in managing the economy, but it was ou efforts to revive the stock market that the two clashed openly and bitterly.

As chairman of the influential Capital Issues Committee, the watchdog of the securities industry, Aziz had on occasions blocked or drastically modified business deals submitted by Daim and his business associetes in the past.

Last year Aziz ferced Senator Alex Lee to resign as chief executive officer of Development and Commercial Bank over certain transactiens the Governor teok objection to. Alex Lee is the son of Malaysia's first Finance Minister, and a close associate of Dr Mahathir and Daim.

Last December, Daim wou Cabinet approval, in the fece of strong central bank's resistance, to instruct commercial banks to pump U.S.$80m into the stock market through loans for share purchases.

Aziz felt it a personal humiliation to pass on this directive to the bankers as all along he bad ordered them to desist from such loans, as they were regarded as unproductive and speculetive.

Daim subsequently removed Aziz as CIC chairman, and ordered a ban on all uew listings. He blamed the proliferation of sbares as a major cause for the depressed market.

There is considerable speculation as to why Daim is so interested in the stock market. Some believe the gevernment is geing for an early general election and a bueyant market, in many ways, weuld be helpful.

"Aziz Taha fought hard to retain the integrity and independence of Bank Negara, but he lacked the stature, and more important the political backing. He was Governor at a difficult time when the economy was slewing down and structural weaknesses were showing up," said a merchant hanker.

He pointed out that in 1981, Aziz forbade banks to give loans to buy foreign property and this saved a few big Malaysian companies which had lined up deals in Hong Kong just before the property crash.

Bank Negara was also the first to send out signals on the runaway spending of the so-called "off-budget sgencies," whose borrowings had greatly hloated Malaysia's external debt.

But the central hank failed to detect the loans given out by a subsidiary of Bank Bumiputra to Hong Kong property speculators, mainly the Carrian group, and this resulted in Bank Bumi writing off uearly US$1bn iu bad debts.

After-shocks of the Hong Kong loan scandal still reverberate on the Malaysian financial and political scene, and the government's credibility took a severe beating.

Sime Darby interim profits up by 27%

BY OUR KUALA LUMPUR CORRESPONDENT

SIME DARBY, Malaysia's largest non-oil company, has reperted a 27 per cent increase in pre-tax profits to 123m ringgit (U.S.$49m) for the half year to December largely on the strength of its plantations divisien.

Turnover rose marginally to 1.21bn ringgit. Profits after tax and minority interests were 49m ringgit compared with 36.5m ringgit.

Tun Tan Siew Sin, Sime's chairman, said the plantations division, benefitted rom higher prodnction and prices of palm oil and cocoe, and accounted for 85.5m ringgit or nearly 70 per cent of group pre-tax profits.

The performance of the tracters division, Sime's second biggest eperatien, continued to be disappointing due to e lew level of activity in the legging, construction, mining, and agriculture sectors, and little signs ef improvement are expected.

Earnings from Heng Keng rose from 7m ringgit to 14m ringgit, reflecting increased confidence and activity, while contributions from Singapore and the Philippines were about the same as before.

Tun Tan said Sime's earnings fer the second half were not expected to be as strong as those fer the first, due to softer prevailing commodity prices, but the group sheuld benefit by contributions from its 47 per cent stake in United Estates Projects, and its recently acquired subsidiary, Dunlep Malaysian Industries, as well as from the sale of the Shaw Wallace interests in India.

Sime's twe other listed subsidiaries — Consolidated Plantations and Tractors Malaysia — have also issued their half year results.

ConPlant's pre-tax profits rose by 48 per cent to 83m ringgit en a 21 per cent increase in turnover to 180m ringgit. After-tax profits were 45m ringgit compared with 32m ringgit.

Tractors Malaysia's pre-tax earnings fell by 26 per cent to 15.1m ringgit, with turnover declining by 22 per cent to 138m ringgit. After-tax profits were 1.6m ringgit compared with 5.2m ringgit.

Mr David Park, Tractors' managing director, uoted that the heavy equipment market in Malaysia last year was probably worth 500m ringgit to 600m ringgit, or a third of the market three years ago. "Our results are not bad given the depressed market. We have managed to maintain our market leadership despite stiff cempetition" he said.

Interim dividends for Sime, Conplant, and Tractors remain unchenged at 4 cents, 8 cents, and 10 cents gross respectively.

Sanyo earnings rise 30%

TOKYO—Sanyo Electric, the electrical consumer goods major, said its group net income fer the yeer to November 30 climbed by 29.6 per cent to Y43.9bn ($167.7m).

Profits before taxes and extraordinary items gained 13.3 per cent to Y81.82bn from Y72.25bn. Sales rose 26.2 per cent to Y1,421bn from Y1,126bn. Earnings per share increased to Y37.52 from Y30.07.

A good rise in the exports of video tape recorders, stereo sets and office equipment, contributed to the sharp gain in uet income. Exports in total jumped 33.6 per cent to Y950.99bn, er 66.9 per cent of total sales. Domestic sales increased by 13.5 per cent to Y470bn.

As previously reported, Sanyo Electric's parent company net profit for the year was up 20.4 per cent to Y27.54bn or Y27.17 a share.

● Nippondenso, a leading maker of electronic equipment for cars and a member of the Toyota group, lifted net income for 1984 by 16.8 per cent to Y38.85bn from Y33.25bn. Sales advanced by 15.6 per cent to Y930bn from Y718bn.

The sales gain came mainly from car heaters and air-conditioners, electric equipment, and emission control and safety devices. AP-DJ

APPOINTMENTS

Lazard board posts

LAZARD BROTHERS & CO has appointed Mr Tom Cross Brown, Mr John Dear, Mr Timothy Kimber, Mr Ranjit Mathrani, Mr Anthony Puckridge and Mr Mark Richardson as executive directors from April 1. Mr Cross Brown is an assistant director and is at present responsible for the bank's branch office in Hong Kong. Mr Dear is an assistant director in the corporate finance division and has been involved in some of the City's largest merger transactions. Mr Kimber, Mr Puckridge and Mr Richardson are directors of Lazard Securities, the investment management division of the bank. Mr Mathrani has been on secondment from the Department of Trade and Industry as a special edviser to the bank's international division.

*

The TIMBER TRADES FEDERATION has elected Mr George Donaldson, chairman of James Donaldson and Sons, as president, succeeding Mr Michael Latham, chairman of James Latham.

*

The INSTITUTE OF PHYSICS has appointed Mr Anthony Pearce to the uew post of managing director of its publishing divisien. Mr Charles Withers, who has been acting as bead of the publishing division for some months, has been appointed chairman and chief executive of John Wright (Printing) and Stonebridge Distribution, printing and distribution subsidiaries ef the Institute.

*

Mr Norman Willis, general secretary of the Trades Union Congress, has become e vice-president of the INSTITUTE OF MANPOWER STUDIES. He succeeds Lord Murray, formerly Mr Lionel Murray, his predecessor as TUC general secretary.

*

Mr Gordon Wood, deputy chief general manager and a director ef THE PRUDENTIAL ASSURANCE COMPANY, is to retire on May 29, and relinquish his position as an executive director of Prudential Corporation. He jeins the main board as a non-executive director. Mr Derek Fellews, Mr Tony Freeman and Mr Brian Medhurst —all directors of Prudential Assurance and respectively chief actuary and general managers of the company—become executive directors of Prudential Corporation.

*

Mr David F. Collins has been appointed to the board of A. P. BANK. He is e senier vice-president of the parent company, The Riggs Netional Bank of Washington DC, and is currently general manager of its London branch. Mr Philip G. Moss, Mr Paul A. Bishop, Mr Gregory F. Brzeskwinski, Mr Stewart Hamilton and Mr Peter J. Haycock have been appointed assistant directors of A P Bank, and Mr Sidney A. Lawson has been appointed company secretary.

*

Mr Andrew Marchant is joining the venture capital partnership at SCHRODERS. Mr Marchant, a chartered accountant, was previously with Pruventure, the venture capital division of the investment arm of the Prudential group. The Schroder venture capital partnership, of which Mr Jon Moulton is the managing partner, will act as advisers to the Schroder UK Venture Fund. Mr Moulton was until recently general manager of Citicorp Venture Capital.

*

TrefilARBED Luxembourg Saarbrucken has appointed Mr Bryan Coghlan as managing director of TrefilARBED (UK). He succeeds Mr Derek Knowles who bas retired. Mr Coghlan is at present assistant director.

*

Mr William A. Bruce has been appointed chief financiel officer ef JARDINE REINSURANCE (UK) and a director of JARDINE THOMPSON GRAHAM.

Mr Frederick C. Brindle has been appointed a director of the internatienal nen-marine division of JARDINE GLANVILL.

*

Mr Peter B. Hamilton has joined the board of MYSON GROUP as a uon executive director.

*

Mr I. L. Rushton is to become managing director of ROYAL INSURANCE (UK). He is currently general manager. Mr P. F. Duerden, currently managing director, Royal Insurance Australia, is to be appointed general manager, Royal Insurance (UK). Mr R. G. Oakley becomes managing director of Royal Insurance Australia. All the appointments take effect on July 1. Royal Insurance (UK) is an eperating company within Royal Insurance.

Mr K. J. Dare, currently assistant general manager, Royal Reinsurance Company, is appointed deputy general manager, Royal Reinsurance Company, from July 1. Royal Reinsurance Company is an operating company with Royal Insurance plc.

UK COMPANY NEWS

Low & Bonar advances to £11.4m

Low & Bonar raised pre-tax profits by 25 per cent from £9.11m to a record £11.37m for the year to November 30 1984 although the rate of growth slowed in the second half with £7.19m, against £6.95m last time, coming in the period.

The group has however, made a good start to the first three months of the current period and the directors say they "view the outcome of the current year with confidence."

The final dividend is hoisted to 8.7p (4.5p) net making a total of 12p per 50p share—up 60 per cent on the previous year's 7.5p. A one-for-two scrip issue is also proposed.

Turnover increased by 13 per cent to £197.67m (£174.97m). The results show a further improvement in geographical balance, with 82 per cent of turnover and profits derived from UK/Europe and North America.

There is also a continuing seasonal bias in the group's business—63 per cent of profits being earned in the second six months.

New group strategy will give further priority to existing high technology activities in packaging and plastics, textiles, electronics and electricals, which offer "attractive long term growth prospects," the board states.

The group's packaging and plastics operation made a significant advance with profits 51 per cent higher at £7.37m (£4.89m) and turnover up from £89.59m to £116.66m.

Textiles' profits were little changed at £3.35m (£3.3m), on £44.64m (£44.4m) turnover. But electronics and electricals moved ahead to £1.08m (£346,000 excluding £1.55m earned by Bonar Long NTC (SA)—sold in December 1983), on turnover lower at £34.38m (£45.42m).

Other activities turned round from a loss of £218,000 to a profit of £237,000, largely due to the group's share of profit in retail travel agent, A. T. Mays Group. Turnover of other activities was £14.19m (£13.41m).

Overall profits from UK/Europe more than doubled from £2.03m to £4.46m, and the North American contribution rose to £5.42m (£3.62m). Africa was down at £2.29m (£3.85m), while other activities showed a £136,000 loss (£369,000 profit).

Operating profits climbed from £8.97m to £12.45m. Share of related companies' earnings fell sharply from £2.29m to £931,000, while interest charges were slightly lower at £2m, against £2.11m.

Tax charge for the year was £3.55m (£4.3m) and took only 31 per cent of profits compared with 47 per cent previously. This lower level was due to a number of exceptional credits, principally the offsetting of ACT written off in prior years. Stated earnings per share jumped from 33.01p to 53.54p.

Attributable profits were well ahead from £4.16m to £8.34m.

● Bonar Inc, the group's 75 per cent owned Canadian quoted subsidiary, raised profits from C$4.1m to $4.93m (£3.3m) in the year ended December 1 1984, on revenue of $127.27m ($109.89m). Virtually all divisions recorded improved performances, while export sales increased by 21 per cent over 1983.

Final quarter profits were up from $1.79m to $1.93m and revenue totalled $34.4m ($30.58m). The quarterly dividend is up from 10 cents to 11.5 cents.

● comment

Low & Bonar has followed up a splendid recovery in 1983 with a healthy 25 per cent advance in 1984 and a 60 per cent hike in the dividend, the latter by way of compensation to patient shareholders and a reflection of the higher quality of earnings being generated now that Africa is no longer a major source of income. The results bear witness to the benefits of the hefty investment programme, particularly on the packaging and plastics side, where both Canada the UK are pushing ahead confidently in their respective markets. Engineering also did well, thanks to the hi-tech products of Bonar Brentford into the telecommunications industry. Textiles were flat but this was due to the delay of a major order in the Flotex company and the costs associated with a marketing programme in the U.S., both of which should be plus factors this year. Currency gains were not material given that any windfalls from North America would have been partially offset by the movements of sterling against many African currencies. The optimistic tone of the statement on current trading augurs well for this year. On, say, £13m and a higher tax charge of around 35 per cent, the 337p shares sell on a prospective p/e of less than 6—hardly a hostage to fortune.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Edenderry Shoes ...int	2	April 9	2	—	7
Greggs	2	May 31	—	3.4¶	—
Guernsey Atlantic	3‡‖	—	2.5	3	2.5
Land Investors ...int	0.3	April 26	0.2	—	1
London Shop Prop int	1.35	April 30	1.33*	—	4.41*
Low & Bonar	8.7	May 10	4.5	12	7.5
Microfilm‡ ...int	0.5	July 1	0.33n	—	1n
Parker Knoll ...int	3	April 26	3	—	9
Phicom	0.75	June 3	0.45	1.1	0.75
T & S Stores‡	1.58	May 31	—	—	1.58

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ As forecast in May 1984 prospectus. ‖ Gross throughout.

Parker Knoll spread gives £0.3m rise at halfway

IN A generally difficult market for furnishings, Parker Knoll has increased its pre-tax profit by £310,000 to £1.73m for the half year ended January 31 1985. And chairman Mr M. H. Jourdan continues to remain optimistic about prospects.

He says the group's performance demonstrates once again how the spread of activities smooths out the fluctuations that occur in the markets.

While Parker Knoll Furniture and Nathan have performed at levels comparable with last year, the substantial investment made in new ranges for G. P. and J. Baker and Parkertex (textiles) is flowing through into profit.

Low demand at Raymakers (velvet weavers) has led to increased pressure on margins, which has been exacerbated by renewed imports from the Near East.

Sales in the half year came to £21.43m, against £20.26m, from which a trading profit of £1.78m (£1.46m) was earned, after depreciation charge £566,000 (£451,000). Earnings are shown to be up from 11.7p to 13.4p after tax £750,000 (£569,000), and the interim dividend is held at 3p net per share.

For the full year ended July 31 1984 the group made a pre-tax profit of £3.2m on turnover of £40.88m. Earnings appeared at 27.2p and the dividend total was 9p.

● comment

An objective view of furniture manufacturing might well regard a prospective earnings multiple of under 6 as adequate given the industry's poor performance and unexciting outlook. Yet in Parker Knoll's case that rating at 180p looks a touch harsh. Its upholstery operation remains a solid contributor, almost regardless of the underlying market and the management is working to capitalise on its quality image by attacking specialist niches — eg Parker Care. The Nathan acquisition three years ago, taking the company into cabinet furniture, remains a loss making exception but it could just about make a profit this year. Yet the reason for regarding Parker's rating as mean is not the underlying strength of its furniture side but that textiles are an important part of the business almost disregarded by the market. Last year furniture only produced £1.4m of the £3.3m trading profit. And in this first half all the growth came from textile designing and wholesaling. Further acquisitions in the furniture/furnishings sector may be made to give a broader coverage and Parker has the balance sheet strength to contemplate a deal though singed by the Nathan experience, management remains wary. If there is a drawback to the shares for City investors it is the limited voting structure which truly belongs to another era.

Restructure benefits give Phicom a boost to £3.62m

THE FRUITS of restructuring carried out by Phicom in 1981-1982 are reflected in the group's results for 1984 which show pre-tax profits at £3.62m, a rise of £1.26m over the figures for the previous year.

The directors expect a further healthy improvement in 1985, but warn that figures for the opening six months will be adversely affected by low sales of telex machines in the first quarter.

A final dividend of 0.75p lifts the net total for 1984 from 0.75p to 1.1p.

During the 12 months the electronic enclosures division moved back into the black and group interest charges were more than halved due to the cash received from the rights issue at the end of 1983, and from the sale last August of the 50 per cent interest in the Rank Phicom Video Group.

Group turnover improved from £38.32m to £42.97m and operating profits from £3.11m to £3.87m. A divisional breakdown of profits at this level shows: data communications £3.19m (£3.14m), life sciences £549,000 (£475,000) and electronic enclosures £130,000 (£508,000 loss).

Pre-tax profits were after deducting interest of £427,000 (£937,000) and adding in a £174,000 (£189,000) share of related companies' profits.

Tax accounted for £773,000 (£692,000) but below the line there were extraordinary credits this time of £1.93m (debits £224,000), being a gain on the sale of shares in Rank Phicom Video, less certain costs.

Earnings on a net basis amounted to 4.6p (3.4p) per 10p share.

For 1985, outstanding order books are healthy and spending on new product development is being substantially increased.

The first quarter, however, was adversely affected by low sales of telex machines to British Telecom and a delay in obtaining final technical clearance on a major defence printer contract.

Although this will cause a lower first half profit the directors are confidently expecting an increase for the full year. They point out that the present value of sterling is materially assisting overseas sales, which, in 1984, accounted for 41 per cent of group turnover.

In 1984 data communications increased its business overseas, particularly in the Scandinavian subsidiaries. The UK defence market was successfully penetrated, but offtake of telex machines by BT reduced towards the end of the year. This continued during the first quarter of 1985, but a considerable expansion is expected in the last three-quarters as deliveries of defence printers commence.

In life sciences Shandon had a record second half and, at present exchange rates, should show good export led growth in 1985. Order books are well above last year and margins are being improved and new product development has been stepped up significantly.

The electronic enclosures sectors faces continued competitive conditions with pressure on margins sustained. However, the improvement is expected to continue. A number of new opportunities in telecommunications and specially screened racks will provide growth in 1985 and beyond.

Phicon's ultimate holding company is Magnum Corporation Bhd (Malaysia).

● comment

The City remains rather cautious about Phicom. While pre-tax profits have bounded ahead in the last two years, this has largely been the result of extensive restructuring of both the business and the balance sheet, including a rights issue late in 1983. Prospects for 1985 as a whole are said to be healthy but the warning about the first half illustrates the company's vulnerability to the whims of its big customers. This year, sales to the Ministry of Defence are likely to exceed those to British Telecom for the first time, with pride of place going to a £6m order from the Army. However, each will still account for about 30 per cent of the data communications division's business. Phicom is stepping up research and development spending from £1.6m to £2m to bring out more new products, but inevitably the fruits of this expenditure are some time away. For the current year the company should make more than £4m pre-tax, which puts the shares, up 2p to 42p, on a fully diluted multiple of 9, assuming a 27 per cent tax charge. At this level they discount most of the negative influences on the company, but there is probably little reason to buy until those poor interim results are out of the way.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Amber Day, Belgrave, Bolton Textile Mill, Refuge.

Finals:—Bairstow Eves, Matthew Clark, William Collins, De Beers Consolidated Mines, Edinburgh Fund Managers, Hewtal Whiting, Hong Kong and Shanghai Banking, Kleinwort Benson Lonsdale, Pentos, Taverner Rutledge, Yorkshire Chemicals.

FUTURE DATES

Interims:—

Gabicci	Mar 26
Walker (Thomas)	Mar 21

Finals:—

East Rand Consolidated	Mar 26
Farmer (S. W.)	Apr 10
Gill and Duffus	Apr 12
Grattan	Mar 15
HB Electronic Components	Mar 26
Jamesons Chocolates	Mar 20
Kennedy Brookes	Mar 16
New England Properties	Mar 19
Rotaflex	Mar 26
Schroders	Mar 13
Systems Designers Intl.	Mar 19
Telephone Rentals	Apr 17

Microfilm expects record year

A record year is looked for by Microfilm Reprographics pre-tax profits in the half year to December 31 1984 more than doubled from £83,689 to £189,819 on a turnover up by 75 per cent, from £848,697 to £1.49m.

Traditionally, the second half is more profitable than the first. In addition to this normal seasonal bias, sales in all divisions for January and February together with the growth in new orders, indicates that the second half year will show "a substantially higher level of profit than in the same period last year," state the directors.

There was again no tax charges in the half year.

Interim dividend is being raised from an effective 0.333p to 0.5p. The company's shares are traded on the USM.

Warburg Invest. lifts Woolworth stake over 15%

Warburg Investment Management revealed yesterday that it had acquired 75,000 ordinary shares in Woolworth Holdings, thereby increasing its stake to 12,202,555 ordinary shares or 15.06 per cent of total voting rights.

Brokers played down suggestions that Warburg's stake was a strategic holding which anticipated a possible bid for the High Street stores group. They said shares were in short supply which accounted for sharp price movements. Woolworth shares were up 15p to 620p yesterday.

A spokesman for Woolworth declined to comment yesterday, pointing out that the group's annual results were due in a fortnight. Most brokers are settling for around £45m pre-tax profits, though Capel Cure Myers is predicting £50m.

Wm. Bedford to become first antique dealer with USM quote

BY STEFAN WAGSTYL

William Bedford is set to become the first antique dealer quoted on the Stock Exchange.

The company is being floated on the USM with a market capitalisation of £4.75m by means of an offer for sale by tender by broker Scrimgeour Kemp-Gee.

The business, which was started on a market stall in 1966, trades from a showroom near Camden Passage, North London, which is regarded as one of the centres of the antique trade in the UK.

The customers are private individuals, companies, interior designers and other dealers. About 77 per cent of the sales are repeats — reflecting high customer loyalty, says the company. The biggest buyers are from the U.S. — accounting for 54 per cent of last year's sales.

The company expanded steadily through the 1970s, but profit growth was held back in the early 1980s by the world recession. However, in the past three years, profits have grown from £125,000 pre-tax on sales of £940,000 in 1982, to £654,000 pre-tax on sales of £2.58m in the year to last December.

A total of 1.5m shares are being offered for sale on the stock market — or 31.6 per cent of the enlarged equity. Half the shares are being sold on behalf of the company to raise £550,000. This will be used to widen the range of stock in particular in higher-priced items, which might cost £10,000 or more apiece.

The remaining shares are being sold by the directors, including Mr John Bedford, the founder, chairman and chief executive, who will be left with a 51.6 per cent stake.

At the minimum tender price of 100p, the historic price earnings ratio is 11.6 on an actual 47.1 per cent tax charge. The forecast net dividend for the year to the end of December is 3.5p, giving a gross yield at the minimum tender price of 5 per cent.

● comment

William Bedford offers investors their first chance to put money into what is clearly a very lucrative trade, at least if last year's 25 per cent net margin on sales is anything to go by. Obviously, the company is coming to market at a particularly favourable time with consumer spending strong and a weak pound bringing U.S. visitors to the UK in unprecedented numbers: antiques, like brandy or cigars, is a cyclical business. But there is every reason to think that William Bedford is strong enough to cope with the ups and downs of the trade it has a good record of controlling overheads, cash in the balance sheet, and, with 77 per cent of sales being repeat sales, a sound base of established customers. There is every indication that it should command a rating at the upper end of the retail sector, with a premium for rarity value. On this basis a striking price of 150p to 170p seems possible.

T & S Stores exceeds forecast

PRE-TAX profits at T & S Stores came to £805,000 in the year to January 5 1985, some £55,000 better than the USM placing forecast and £459,000 up on the previous year. On the basis of trading since the financial year end, the directors look forward to 1985 "with confidence and enthusiasm."

They say that the increase in profit reflects both the contribution from new stores and increased sales from existing units. There was also an improvement in margins due to the dilution of central control costs.

Group sales rose from £25.68m to £36.4m, nearly £1m better than the projection at the time of the placing last October. T & S operates a chain of shops selling cigarettes, confectionery and greetings cards, mainly in the Midlands.

The dividend of 1.575p net for the year is as forecast, with earnings per 5p share shown at 6.09p (4.15p).

The directors say that 10 stores were opened during 1984 to bring the total to 59 at the year end. Since then two new stores have opened, in Bootle and Walton Vale, and a further three have been acquired in Bulwell (Notts), Skelmersdale and Kirkby which are expected to open before Easter. Negotiations are "well advanced" to acquire five more.

The pace of expansion is such that T & S expects to have between 75 and 80 stores trading by the end of 1985—well on target to achieve or exceed the stated objective of 100 stores by mid-1987, say the directors.

Most of the new stores will be opened in the North West.

Greggs plans faster growth

FOLLOWING ITS "significant progress" in 1984, reflected by higher profits, the flotation of the shares in May and expansion into the West Midlands in August, the Greggs group of bakeries and bakery shops looks forward with confidence to the current year.

Chairman Mr Ian Gregg says it is hoped to expand more rapidly in the West Midlands, building on the strong base afforded by Charles Bragg (Bakers), and financial resources are available for other opportunities either through acquisition or greenfield start-up.

A satisfactory start has been made to the year and profits are ahead of 1984. The return to work by the miners "removes a major concern," though it is likely to be some months before spending power return to normal.

In the second half of 1984 trading was affected by the miners' strike, the long summer, and a delay in opening new shops, and profit before tax was just ahead from £1.34m to £1.43m. This brought the year's total up from £1.74m to £1.92m, an increase of 10 per cent which Mr Gregg considers satisfactory in the circumstances.

Bragg made a small contribution to profit after financing charges and is expected to show "good growth" in 1985.

Pre-tax earnings are shown at 18.2p (17.4p) and net earnings at 11.3p (14.6p) after heavier tax, and the final dividend is 2p for a net total of 3.4p, as promised in the prospectus.

The chairman says a high level of investment was maintained and total capital expenditure, including acquisition, was £3.1m. The largest single project was the rebuilding of the Manchester bakery and 15 new shops were opened within the four established divisions.

Bragg owns a bakery some three miles from the centre of Birmingham and 20 shops in a tight cluster on the east side of the city. It also has a "valued supply arrangement" for crusty bread and rolls with Sainsbury, and wholesales speciality bakery products to a number of outlets in the Birmingham area. "There is considerable scope for expansion in the West Midlands, given the number of areas in which we are not represented," the chairman states.

Turnover in the year moved up from £37m to £41.48m, and the operating profit thereon was £1.74m, against £1.7m, after deducting £210,000 (£205,000) employees' profit sharing. Above the line there was also exceptional income of £128,000 (£94,000), representing profit on sale and leaseback £108,000 (£13,000) and industrial development grant £20,000 (£81,000).

The tax charge this time is £725,000 (£283,000) because of the changes in the treatment of deferred tax. The actual charge, at 37 per cent, is better than the 48 per cent projected in the prospectus.

● comment

As a small independent bakery group, Greggs is not in the mainstream of what growth there is in the food sector. For one, its catchment area is in the less buoyant north of England and Scotland and, second, the pattern of sales nationally is towards supermarket-type shopping. While this puts its market into perspective, it does not necessarily preclude the company from any growth, for there will always be a niche for a specialist trader which is also competitive. In Greggs case, it is at least aggressive in its own league and this means it is well placed to mop up the leftovers from the procession of small bakery failures. But its main strength is its strong balance sheet which allows it flexibility to buy growth when necessary—and last year was a good example. At a time when the miners' strike and the long hot summer probably lopped £150,000 off the profits line, the group added 15 new shops and a fifth bakery. Given that the miners' strike is over and a similar pattern of physical expansion this year at least £2.2m should be possible in the current 12 months. Taking a line through the tax charge the prospective p/e is 11 at 143p which looks fair enough. The rating will start to look more interesting when the company casts its net southwards.

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.6	6.4
151	135	Ass. Brit. Ind. CULS	148	—	10.0	6.8	—	—
77	51	Airsprung Group	57	—	6.4	11.2	6.3	7.6
42	26	Armitage & Rhodes	35	—	2.5	6.3	4.4	7.3
143	108	Bardon Hill	142	—	3.4	2.4	14.3	23.8
58	42	Bray Technologies	48	—	3.5	7.3	6.6	0.0
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	16.8	—	—
890	100	Carborundum Ord.	890	+5	5.7	0.6	—	—
86	84	Carborundum 7.5pc Pref	85	—	10.7	12.4	—	—
103	43	Cindico Group	43s	—	—	—	—	—
73	51	Deborah Services	54	—	6.5	12.0	6.1	6.3
308	182	Frank Horsell	308	+3	—	—	12.4	16.2
284	170	Frank Horsell Pr. Ord.	284	+3	3.6	3.7	10.6	13.9
32	25	Frederick Parker	28	—	—	—	—	—
57	33	George Blair	57	+1	—	—	3.8	7.7
50	27	Ind. Precision Castings	27	—	2.7	10.0	7.4	6.0
218	186	Isis Group	186	—	15.0	8.0	7.4	13.4
124	103	Jackson Group	103	—	4.9	4.9	4.8	6.3
285	213	James Burrough	261	−4	13.7	5.2	6.3	6.3
93	83	James Burrough 9pc Pf	85	−1	12.6	15.2	—	—
87	71	John Howard & Co	84	—	6.0	6.0	6.6	12.2
170	100	Linguaphone Ord.	170	—	—	—	—	—
100	92	Linguaphone 10.5pc Pf	95	—	15.0	15.8	—	—
614	300	Minihouse Holding NV	612	—	3.6	0.8	43.9	48.2
120	31	Robert Jenkins	42	—	8.0	11.0	—	—
80	28	Scruttons "A"	31	—	5.7	16.4	15.3	3.8
92	61	Torday & Carlisle	78	—	—	—	8.4	17.7
444	368	Trevian Holdings	368	—	4.6	1.2	20.9	20.9
27	17	Unilock Holdings	26	—	1.3	5.0	12.6	18.2
98	81	Walter Alexander	95xd	—	7.5	7.6	8.4	11.4
274	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S = Suspended.
Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

Sears poised to enter as 'white knight' for Foster

BY MARTIN DICKSON

Sears Holdings, one of Britain's biggest retail chains, last night appeared poised to intervene as a "white knight" for Foster Brothers Clothing, the menswear chain, in its fight against e £90m contested takeover bid from Ward White.

Foster Brothers said yesterday that it was holding talks with e third party which might lead to a recommended offer being made for its entire issued share capital. Foster did not name the newcomer, but it was believed to be Sears.

Mr Geoffrey Maitland-Smith, Sears' chief executive, declined to comment last night, but two weeks ago he acknowledged that Sears was looking at Foster Brothers.

Shares in Foster Brothers rose sharply yesterday, closing et 228p, np 20p on the day. Sears shares were unchanged at 84p. Ward White's closed et 238p, down 1p on the day, valuing its share offer at 197p per Foster Brothers share. There is a 170p cash alternative.

Foster Brothers has about 650 retail outlets in Britain, including the Millets camping and leisurewear chain, and Dormie, the dress-hire company.

Sears has 3,500 High Street outlets—more than any other company. These include the footwear chain owned by the British Shoe Corporation, the womenswear chain Wallis Shops, and Olympus, a sportswear retailer. It also owns Selfridges and the William Hill bookmaking chain.

Any bid by Sears might face the possibility of e reference to the Monopolies Commission, though many City analysts last night thought this unlikely.

Ward White is a Northamptonshire based shoe retailer which has 900 outlets in Britain and abroad is diversifying into other areas, bought Halfords, the motor accessories retailer, for £52m last November.

Ward White's offer reaches its first closing date this Friday. Foster Brothers has not yet produced a defence document.

A counter-offer by Sears would be seen as a return to a more aggressive stance by e company which was built np by the late Charles Clore through the art of the takeover, but which has in recent years concentrated on internal growth.

Electronic Rentals £28m deal

BY CHARLES BATCHELOR

Electronic Rentals Group, number three in the UK television rental league, is buying Carousel *Colourhire*, the TV and video rental business, from Dixons for £28m cash. Dixons acquired Colourhire *as part of* the Currys business, which it bought last December for £248m after a hard-fought takeover battle.

The Carousel operations consist of about 210,000 coloured TV sets and video recordars out on rental, 13 specialist Carousel shops, a head office in High Wycombe and 160 administrative and retail staff.

The business made £5.2m profits before Currys' branch expenses, finance costs and tax in the year ended October 24 1984. Net book valua of the rental equipment is estimated to be £25m-£26m on complation date on May 2.

Mr David Hurley, managing director of Electronic Rentals, said: "We should get our cash back in two years. This deal will push up our gearing, but in the rental business 30 per cent of your cash flow is depreciation so if yon stop buying you can turn on the cash.

"As soon as the ink was dry on the Dixons' deal with Currys, we made enquiries to see if they wanted to carry on the rental side. They talked to a number of people so it was a tough deal."

The Carousel purchase still leaves Electronic Rentals, which trades as Visionhire, as number three in the rental business. It has e 17.5 per cent market share after Granada Group (28 per cent) and Thorn-EMI with 40 per cent.

Electronic Rentals has 419 shops and will resite and close shops to incorporate tha small Carousel chain and increase turnover per shop.

The company will pay 85 per cent of the purchase price on completion with the rest three months later. It will draw on existing bank facilities while Philips Electronic, which owns 25 per cent of Electronic Rentals' equity, wil delay for two years the repayment of an existing £10m subordinated loan.

Mr Egon von Greyerz, Dixons' finance director, said: "We indicated at the time of the bid for Currys wa did not believe in mixing rental and sales. This sale will free the Currys' store managers to concentrate on sales."

Dixons bas no plans for further sales from the Currys' businesses, apart from property sales which are expected to bring in £25m over the next 12 months. This will be of non-Currys shops, sala and leaseback of stores Dixons decides it does not want to own and sales of stores which it plans to resite.

Dixons shares rose 11p to 594p yesterday while Electronic Rentals rosa 2p to 43p.

Entrad hits at Tootal record

BY CHARLES BATCHELOR

ENTRAD INVESTMENTS, the Australian textile and clothing group which is bidding £124m cash for Tootal, yesterday launched a further attack on the UK textile group's trading record.

Entrad charged that Tootal had included gains from property disposals, interest reductions from the sale of non-mainstream businesses and profits from non-cash" remitting "associates" to demonstrate a surge in "mainstream businesses."

It said that Tootal had used "a selective and misleading graph" in its recent defence document to try and demonstrate a pre-tax profit surge. But over half tha "surge" last year had come from improvements in non-trading items. Entrad and its merchant bank adviser S. G. Warburg, produced their own graph of Tootal's recent performance to show an attributable loss of £12.9m in the year ending March 31 1985 and a dividend payment met only from reserves.

Despite the Takeover Panel's recent interest in the quality of graphs used in takeover documents Warburg said it decided against complaining to the panel abont the graph.

Entrad did take the unusual step of publishing e letter it had received from the Australian office of Morgan Grenfell, Tootal's merchant bank, to rebut Morgan Grenfell's earlier description of Entrad as "mysterious.""

The letter, sent a few days after the Entrad bid was announced, asked if Entrad was interested in acquiring another company represented by Morgan Grenfell.

Tootal's shares were unchanged at 71p yesterday, 1p above the value of the Entrad offer. Second closing date on the bid is March 22. Entrad already holds a 5.78 per cent stake in Tootal and has acceptances for a further 1.09 per cent.

Allied-Lyons spends £7m on European expansion

BY LIONEL BARBER

Allied-Lyons has expanded its European interests by buying a Dutch biscuit manufacturer and a German tea distributor for around £7m in cash.

Allied's food division, J. Lyons and Co, has acquired Joko, a small company specialising in automated biscuit and wafer production in Holland. The purchase complements J. Lyons' Dutch-based biscuit and snack operations.

By contrast, the acquisition of Hamburg-based Schmidt and Schneemilch restores J. Lyons's presence in West Germany after five years absence.

Schmidt and Schneemilch packs and distributes tee in West Germany and elsewhere in Europe under the Windsor Castle trademark. J. Lyons already exports tea to soma 80 countries around the world and the purchase places the company in one of the largest tea markets outside the UK.

"Our strategy is to put one small brick on the other." Mr Leonard Badham, J. Lyons's vice-chairman said yesterday. "You could say we are growing surreptiously."

Over the past three years, J. Lyons has spent between $20m and $30m on a string of acquisitions in biscuit, doughnut and cake manufacturing in Europe and the United States, each with turnover of between £10m and £20m. These helped the food division last year to produce a 35 per cent jump in pre-tax profits to £50.1m on turnover of just over £1bn. Allied Lyons's pre-tax profits last year were £184.9m.

Mr Badham said the West German acquisition, with its strong Windsor Castle brand name, would provide a significant distribution network for J. Lyons's other products. A previous move into West Germany, buying e Dusseldorf-based bakery, Marina Kuchen, had not come off and the company had pulled out around five years ago. "We are now trying the opposite route through distribution," said Mr Badham.

Stylo claims it has close company status

The directors of the shoe retailer, Stylo, announced yesterday that after recent share dealings in the company they considered Stylo to ba a close company for tax purposes.

No Stylo director was available for comment yesterday. However, the statement is believed to be a reference to last month's purchase of the Kuwaiti Investment Office's 18.4 per cent in Stylo by the Ziff family and associates who control the company.

The share transfer came after the Ziffs thwarted a partial takeover from British Land. The directors' statement suggests that they believe they control enough of the company's equity and votes to warrant the special tax treatment conferred by close company status.

General Electric

General Electric Co has bought a further 2m of its own ordinary shares, last Friday, for canecllation. GEC paid 197p per share.

£7.3m bid for Ingall

The Greater Midlands Co-operative Society yesterday launched a £7.3m takeover bid for Ingall Industries, a funeral director, which immediately dismissed the bid as "totally inadequate and wholly unacceptable."

It is most unusual for a Co-operative Society to launch a bid of this nature for a quoted company.

The Society is offering 80p in cash for each ordinary share in Ingall, the only funeral director in the UK with a full stock market quotation. That compares with a closing price last night of 85p, up 12p on the day.

The Society has a turnover of more than £100m from a mixture of retail and other operations, including a funeral business with a turnover of £2.3m, accounting for some 5,000 funerals a year.

Wolverhampton-based Ingall is one of Britain'a largest funeral directors, accounting for some 15,000 funerals a year. Its turnover last year was £6.3m.

The Society said the acquisition would fit in well with its expansion strategy, while it would be able to give Ingall a "much needed injection of cash." Ingall bas expanded significantly in recent years through the purchase of smaller funeral directors.

However, Ingall said last night it saw no benefit whatsoever in an association with the Co-operative.

The Society said it had invited Ingall to bold discussions with e view to sacuring the board's recommendation for an offer.

Financier buys 29% of Goode Durrant and takes top post

BY CHARLES BATCHELOR

Mr Michael Waring, a 38-year-old South African businessman, has bought a 29 per cent stake in Goode Durrant & Murray Group, the international trada finance group and licensed deposit taker, and has taken over as chief executive.

In a £12.3m deal announced yesterday e 63.86 per cent stake in Goode was placed with Mr Waring and a number of City institutions. This move ends the equity control formerly exercised by a trust and an estate connected with Mr Lionel Robinson, the former chief executive who is staying on as chairman.

The English Association Trust, a merchant bank, bought 15.34m Goode shares at 80p each and placed 7m of them—a 29.14 per cent stake—with Infintraco Establishment, a company controlled by Mr Waring and family trusts.

Tha rest of the shares were placed with institutions, including the United Kingdom Temperance and General Provident Institution, which took 5m shares, or 20.82 per cent.

To give minority shareholders in Goode the opportunity of selling et tha same price Infintraco will make an offer to purchase the balance of the shares at 80p.

With Goode's shares 3p firmer at 83p yesterday shareholders are unlikely to accept this offer. The trust of which Mr Robinson is joint trustee and the estate of which he is joint executor have each retained 500,000 shares or 2.8 per cent.

Goode reported a marginal decline in pre-tax profits to £2.57m in the year ended October 1984 from £2.62m on turnover which rose to £67.6m from £64.5m. Earnings per share fell to 5.7p from 5.1p though the net dividend was maintained at 1.25p.

Mr Waring said: "I was looking for a business with a good financial base for growth. Goode has little or no gearing, an extremely sound balance sheet and a surplns of liquid assets."

Mr Waring built up the F. R. Waring group of companies, a Johannesburg-based agricultural and soft commodity trading house from R5m to R250m turnover in the 1970s. He subsequently became a director and shareholder of Finansbank, e South African merchant bank, before selling these interest and moving to London three years ago.

Mr Selby Waterfall, a director of Goode, said Mr Robinson, who is 71, "felt it would be sensible to diversify a bit. Ha had a large chunk of his assets in Goode."

MINING NEWS

Holmes à Court seeks clearance to raise Asarco stake

BY MICHAEL THOMPSON-NOEL IN SYDNEY AND KENNETH MARSTON IN LONDON

Mr Robert Holmes à Court, the Perth business man, said yesterday that he was seeking U.S. Fair Trades Commission (FTC) clearance to raise his stake in Asarco, the troubled U.S. mining concern, from just under 10 per cent to 50 per cent.

Bell Resources, an offshoot of Mr Holmes à Court's Bell group, said its application to the FTC was being made "as a consequence of the recent announcement by Asarco that it is considering changes to its charter."

But it said the filing of an application would not commit it to increasing its shareholding.

Asarco owns 44 per cent of MIM Holdings, the Queensland-based copper to coal group, which in turn owns 18.2 per cent of Asarco.

Asarco is reported to have filed a lawsuit against Mr Holmes à Court and 12 corporate affiliates under his control alleging violations of provisions of the U.S. Securities and Exchange Act.

The complaint asserts that tha defendants misrepresented their purpose in acquiring Asarco shares and that they sought improperly to avail themselves of an investment exemption to their filing obligations under the Hart-Scott-Rodino Anti-Trust Improvement Act.

It seeks to compel divestiture of Asarco common stock which Bell affiliates have acquired and to enjoin voting the shares or buying more shares.

In Australia the Asarco foray is viewed as a vintage Holmes à Court play, with some analysts maintaining that his real target is MIM's rich copper mountain in north-west Queensland.

Bell resources is already beavily involved in coal, oil, gas and other resource areas. Last week it announced an 18-month net profit of A$36.3m (£23.5m), and an extraordinary profit of A$78m.

The company owns 2.83m Asarco shares, bought at an estimated everage of US$22 each.

Some Australian analysts expect Mr Holmes à Court to continue buying until be has at least 40 per cent of the U.S. miner—at which point, they believe, ba would pluck Asarco's 44 per cent stake in MIM, and quit Asarco. He would thus have gained control of MIM relatively cheaply.

Alternatively, he is just as likely to take a quick profit. MIM shares closed 3 cents lower at A$2.57. Apart from low matal prices, and costly coal borrowings, MIM was hit by a recent power workers' strike in Queensland.

While the MIM interest represents a major capital asset for Asarco, it makes only a small contribution to the U.S. group's income via dividends. These totalled 5 cents in the year to last June, costing the Australian company A$25.1m (abont US$17m at current rates). Now losing money, MIM has already omitted an interim dividend for the current year.

Asarco's earnings thus depend heavily on its big U.S. non-ferrous mining and smelting interests, notably in silver, copper, lead and zinc. While strength of the U.S. dollar has resulted in foreign producers receiving better domestic prices for these dollar-priced sales, no such benefit has been available to tha U.S. prodncers which have also had to compete with foreign imports.

Indeed, such is the continuing over-supply situation in copper that, despite a good demand for tha metal, its price in terms of virtually all currencies has fallen below cost level for most producers.

Asarco has therefore been particularly hard hit with e worst-ever loss of U.S.$306m in 1984 following a profit of U.S.$58.3m in 1983.

The 1983 profit owed a great deal to exceptional and non-operating items. Last year, however, such items were swamped by a fourth quarter charge of U.S.$216m which reflected the closure of Asarco plants and mines and the writing-down of asset values.

London and Overseas Insurance has purchased a further further 650,000 Leda Investment Trust incomes shares, increasing its bolding to 1.56m (31.4 per cent), representing 15.7 per cent of the voting rights.

UK COMPANY NEWS

Process Systems' goal still in reach

DESPITE a slight reduction in net income for the six months to the end of 1984, the directors of Process Systems confirm their forecast of US$2.9m (£2.69m) for the full year.

The midway profit slip was because the North Carolina based company, which gained e full London listing last December, invested heavily in additional personnel, premises and research and development in anticipation of the substantial increase in sales projected for the year. Half year sales increased by 24 per cent from $3.71m to $4.6m (£4.26m).

The result also reflects the fact that sales and earnings are weighted towards the second half. Process Systems supplies microelectronics and recording equipment for the electricity supply industry.

Costs and expenses totalled $3.51m, against $2.5m, with cost of goods solds at $1.63m, against $1.28m. Researcb and development accounted for $566,023 ($327,300), and selling, general and administration expenses took $1.19m ($826,000). Depreciation charges were $26,144 ahead at $60,144 and net interest expenses rose from $39,000 to $65,631.

After tax at $487,576 ($571,392) earnings per common share are quoted at 1.25 cents (1.68 cents).

Carbury Resources

Carbury Resources, the Dublin-based oil and gas exploration group, cut pre-tax losses from I£330,000 to I£28,000 (£24,000) in the half year to June 30, 1984. The 1983 figure, however, included an exceptional debit of I£229,500.

Operating revenue came out at £57,000 (£136,000). Losses per £1 share were shown down from 22.2p to 1.92p, after a tax credit last time of £5,000.

In December, 1984, the company modified its group structure to deploy its assets in North America more effectively.

Carbury is actively seeking oil and gas proposals which can contribute to further growth.

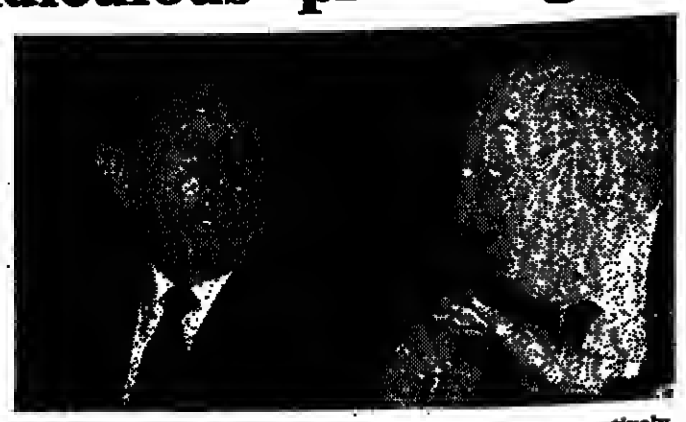
THF still keen on Savoy in spite of 'ridiculous' price tag

Trusthouse Forte is still keen to acquire the Savoy Hotel and its prestigious chain of London botels, but not et the current asking price.

Lord Forte, the chairman of THF, yesterday told shareholders et the annual meeting that, "in view of the artificially high price of Savoy A and B shares, any offer will not be mnch different from the original one."

In 1981 the group made an unsuccessful bid to acquire the Savoy's key B shares and its limited voting A shares, culminating in an offer worth aroun; £75m. The sbares then traded in the region of 950p and 180p respectively, but last night closed et £85.50 and 361p. "I'd like to think we spurred them on to greeter things," said Lord Forte.

THF currently has 69 per cent of the Savoy's equity, but because of the share structure can only command about 42 per cent of the total voting strength. Lord Forte said that the heavily-weighted B shares were "highly priced, held by a small group of people, and not beavily traded."



Lord Forte (left) and Lord Thorneycroft, respectively chairman and president of Trusthouse Forte

He went on to say thet the share prices put e value on the Savoy Hotel which worked out to "about £25,000-30,000 per bedroom, which is quite ridiculous." THF's requests for representation on the Savoy board bad repeatedly met with rejection, with Mr Eric Hartwell, THF's vice-charman, the last to get the Savoy veto.

In snawer to a sharholder's question, Lord Forte said that the group would be interested in any proposals to privatise British Rail's catering operations, "as we are in any opportunities to expand business."

Christy Hunt relocation going ahead

It is still too early to forecast future trading results for the Christy Hunt group, although nothing found to date bas changed the directors overall view of the merits of the merger.

Chairman Mr J. H. Dyer says the group starts an exciting new in its history. At the beginning of this year Christy Bros, which make machines and machine systems, bought the engineering business of R. Hunt & Company for £455,000, satisfied by the issue of 1.5m ordinary shares in Christy—of those 1m were placed at 29p each and the vendors agreed not to sel lthe balance for at least one year.

Work is going ahead in transferring Christy's business from Chelmsford to Earls Colne, and this should be completed by the autumn. The directors' estimated that the saving in overbead costs on full integration of the two businesses would be some £300,000 annually at present prices. The sale is also in hand of the Chelmsford premises for some £950,000 net of selling expenses; from that will be met the costs of relocation and some capital expenditure et Earls Colne.

Six months figures for Christy Bros are published, covering the period to December 31 1984. Sales are lower, as expected, because of the ebsence of Christy Electrical (which was sold last year and contribnted £120,000) and a £280,000 drop in contract sales. Overall sales were £1.14m (£1.84m), anr are expected to be higher in the second balf.

However, reflecting some improvement in margins and reductions in costs, the profit came out at £93,000 (£58,000) before interest charges £84,000 (£72,000). Earnings are 0.4p (loss 0.7p).

Goodwin production difficulties

The foundry explosion in 1982 is still having an edverse effect on the profitability of Goodwin, engineer metal processor. Turnover has recovered but the after-effects of the explosion have led to production difficulties, the directors state.

In the half year ended October 31 1984 turnover was up to £3.35m (£2.8m) and profit to £100,581 (£86,554). Because of the withdrawal of stock relief and reduced capital allowances, the tax charge is £36,500 (£16,000), to leave earnings at 0.89p (0.96p) per share.

The directors anticipate no major recovery in the second half result, although the order book is showing signs of improvement.

London Shop up to £3.2m at midway

With net property revenue up from £3.61m to £4.69m, pre-tax profits of London Shop Property Trust advanced to £3.2m for the half year to October 31 1984 against £2.39m last time.

Tax took £1.18m (£1.01m) and stated earnings per 25p share were 4.09p (adjusted 2.77p) basic, or 3.7p (adjusted 2.7p) fully dilnted. The net interim dividend is up from an equivalent 1.33p to 1.35p—last year's total payment was 4.41p after adjusting for the one-for-two scrip.

The continued improvement in property revenue resulted from rent reviews, lease renewals and income from property purchases. Property trading profits were markedly higher at £484,000 (£61,000), but are unlikely to contribute significantly in the second half, the board states.

Housebuilding profits rose from £280,000 to £330,000, but the board says this activity must inevitably be affected by the increase in interest rates and the very bad weather this winter.

Because of the change in arrangements for the management of the property portfolio, administration and other expenses of £449,000 (£277,000) included costs, which in previous years would have been reflected as reductions in net property revenue.

Granada ahead

At the annual meeting of the Granada Group, chairman Mr Alex Bernstein brought shareholders up to date on the prospects for the current year.

He said trading profits in the initial months had shown a satisfactory improvement over last year, despite disappointing television advertising revenue and the effect on some companies of the cold winter and miners' strike.

With the saving from the integration of Rediffusion still to come, be looked for an increase in profit and cash flow for the full year, "which would sustain Granada in its ambition for growth this year and in the future."

COMPANY NEWS IN BRIEF

Profit before tax from Instem, the electronics group, edvanced by 138 per cent to £646,000 in 1984. This represents e 5 per cent increase over that forecast in last November's prospectus—for entry to the USM—and the dividend is the promised 0.5p net.

Mr David Gare, the chairman, says the current year opened with e record order book, which has "given us an encouraging start to 1985." He is confident that the prospects will develop as the company expands into new sectors and increases penetration in its established markets.

The strategy is to provide a broad range of hardware and software prodncts to satisfy e wide range of applications. During the year Instem consolidated its position in its niche markets of industrial processing, scientific research, and mining.

Turnover in the year expanded from £2.9m to £4.35m. After tax £274,000 (£113,000) and provision for deferred tax releting to prior year's timing differences £92,000 (written off goodwill £80,000), the ettributable profit is shown at £280,000 (£78,000). Earnings are 8.85p (3.81p) per share.

* * *

TCB, the banking services subsidiary of P & O, raised pre-tax profits by 23 per cent to a record £7.82m in 1984, against £6.36m previously.

New advances to customers of £100m and redemptions of £70m produced a net increase in TCB's own loan book of £30m. The subsidiaries, engaged in current asset financing and hire-purchase, increased the volume of their lending by £7.5m.

* * *

Satisfactory results from the railway operation in Chile and an expectional benefit from the large devaluation of the Chilean peso have boosted Antofagasta Holdings in 1984. Shareholders participete in the improved results by getting a final dividend of 15p, to make 20p gross for the year, against 13p.

As well as its railway operation, the company has e number of investments in banking, property, copper mining and exploration. Turnover for 1984 moved up from £14.86m to £16m.

After tax £2.3m (£1.57m), earnings are shown et 62.1p (44.1p) per share. Last time there was an extraordinary credit of £333,000.

* * *

Cadbury Schweppes' 66 per cent owned South African subsidiary raised sales from R96.2m to a record R116.8m (£54m) in 1984, but narrower operating margins meant trading profits increased at a lesser rate, to R13.9m (£6.4m), against 12.5m.

Operations were affected by less buoyant economic conditions in the second half. The board is not optimistic on 1985 prospects and says that operating costs are likely to rise, particularly because of the weakness of the rand and high interest rates.

In 1984, the interest bill doubled to R4m and as e result, the pre-tax profits slipped to R12.8m (R13.4m). Earnings declined to 167.8 cents (177.4 cents) per share, bot the dividend total was up slightly at 64 cents (63 cents).

* * *

After losses from Dolly Day of £24,000, clothing manufacturer Goodman Brothers have produced slightly lower pre-tax profits of £25,000 against £27,000 for the six months to the end of October 1984. Turnover rose from £4.52m to £6.04m.

Fully diluted earnings per share were shown as 0.251p (0.273). The last dividend was e single 0.75p payment in 1983.

* * *

Sintrom Group, e supplier of data storage and computer peripherals, is to be floated on the stock exchange by means of e fixed price offer for sale on March 21. Barclays Merchant Bank and broker Cazenove are bringing the company to market with a capitalisation of about £14m.

* * *

Net asset value per 25p share of New Darien Oil Trust declined from 92.7p to 83.6p during the 12 months to January 31 1985. Adjusted for exercise in full of rights attached to warrants, net asset value amounted to 85.1p (93.4p). Net profits for the year totalled £52,043 (£28,629) after tax of £28,830 (£26,420).

Earnings per share rose to 0.52p (0.29p) and the dividend is being lifted from 0.26p to 0.325p net.

* * *

Uneasy trading conditions reported at the time of the interim results at Incheape Berhad, Singapore, worsened, say the directors, on reporting a fall in pre-tax profits for 1984 from S$40.8m (£16.8m) to S$33.6m (£13.87m). They anticipate that profits for 1985 should be not less than those of the past year.

Trading conditions in 1984 particularly affected the already depressed equipment markets in Sabah and Sarawak. The directors recommend a final dividend payment of 10 per cent, which maintains the total at 17.5 per cent. Earnings are shown at 11.4 cents (15.7 cents) per share.

Turnover of this group, which is 63.3 per cent owned by Inchcape in London, decreased from $937.39m to $760.29m after adjusting for companies being treated as associates.

After extraordinary credits of $4.12m (debits $8.07m) the attributable balance improved from $17.56m to $22.82m.

TECHNOLOGY

EDITED BY ALAN CANE

MICROCOMPUTERS WIDEN APPLICATION OF COMPUTER AIDED DESIGN

Personal touch for industrial design

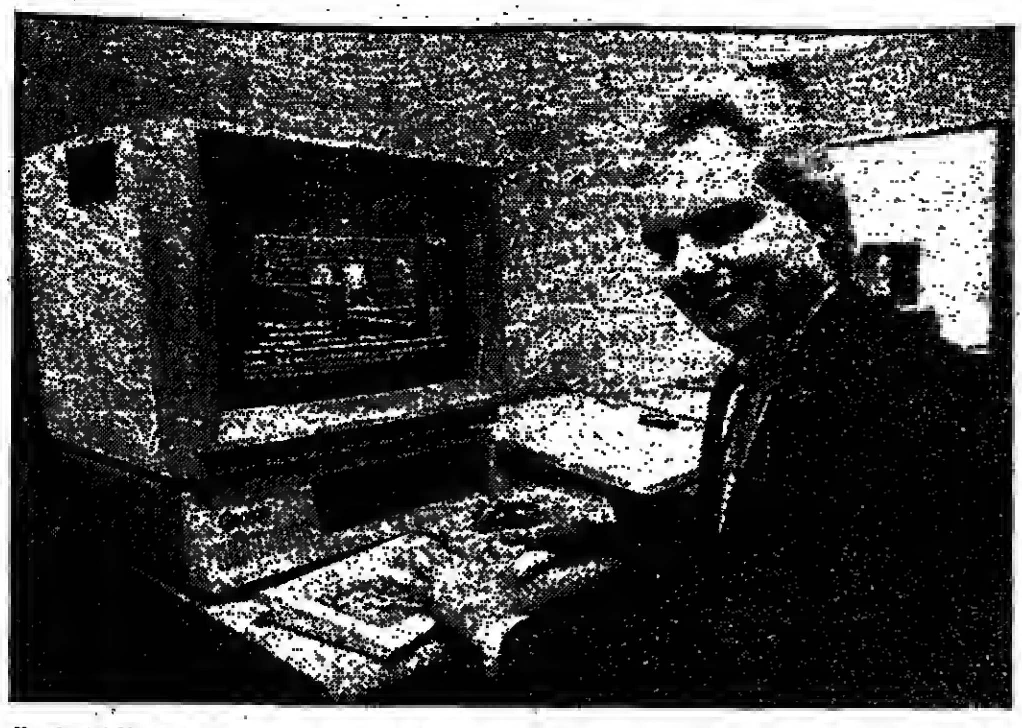
BY GEOFFREY CHARLISH

COMPUTER AIDED design (CAD) continues to come down market, allowing engineers and others, armed only with a personal computer (PC), to do work that only a few years ago would have needed a large minicomputer.

Two year old Autodesk, for example, the Californian-based company with software called AutoCAD that will work on almost any PC, has already sold 1,000 systems in the UK and the world figure has reached 15,000.

In the spring, it will introduce limited "three dimensional" software in the UK (the system is two dimensional at the moment). Soon it plans to offer micros with AntoCAD software as workstations for large scale CAD systems like those from Compntervision and IBM — one of the reasons why it expects its revenues to rise to $40m in 1985.

New horizons are being opened up for CAD by these small syslems. For example, Smees Advertising, a London agency, is using AutoCAD to help sell office space in the New City Court complex near London Bridge, for its property developer client, Chesterfield.



David Hall, a director of Chesterfield Properties, uses an Autodesk computer-aided design system supplied by KGB of Windsor. Running on an IBM PC, the system shows floor layouts to potential tenants at the New City Court development near London Bridge

New horizons are being opened up for computer aided design by small systems.

Up to 14 programs of floor layonts in any of three buildings can be shown and modified to prospective occupiers' needs.

According to market research company Daratech, Autodesk is set to capture 25 per cent of the PC-based CAD market in the U.S., with 1984 revenues put at $10m.

It does not have the market to itself however. There are perhaps 50 two-dimensional draughting packages on offer in the UK. Robocom of London for example, claims to have sold nearly 5,000 systems for use on Apple machines and the BBC micro.

But Autodesk bas surprisingly sophisticated complete systems costing as little as £6,000 that will run on most brands of micro, whereas many of the other offerings are for one machine or one application.

For those who already have a suitable PC, the Autodesk software, called AntoCAD, costs between £1,000 and £2,000. Packages like this will find increasing application, provided that large scale design and engineering tasks with many highly detailed drawings are not involved—more the province of tha big suppliers.

One of Antodesk's eight main UK dealers is KGB Micros of Windsor which, with Riva Terminals of Woking, covars the aouth-east of England. KGB bas sold 54 systems so far, including two to the Stock Exchange which are being used to construct computer flow charts.

Applications tends to fall into three main categories: basic drawing, graphics design and office layout.

The first covers almost anything from the design of multipart forms to basic engineering drawing. ICI for example, uses tha system to plan electrical conduit routing in its plants, while Redler of Stroud, a bulk materials handling and process control company, produces wiring diagrams. Industrial air conditioning manufacturer Hunter of South Benfleet designs ducts and shuttering.

Even IBM is using the system —to work out the arrangement of computer rooms.

A second group of prospects are graphics designers, who for a relatively small sum can produce advertisement layouts in colour and ring the changes on them for clients to consider on the spot. Similar treatment can be given to corporate grapbics projects, embracing visiting cards, letter beadings and company logotypes.

AutoCAD has also gone to a number of architects and the system has the blessing of RIBA, whicb has installed a system. Applications in this area include botel room and office design wbere, once again, the client can directly consider the visual and user effect of changes to layout.

It is easy for the designer to compile graphically and store the contents of an office or bedroom. Desks, chairs, tables,—even typewriters and telephones —can be easily moved around on the screen.

Machine-specific versions of AutoCAD are available for some 20 brands of PC running on the MS-DOS/PC-DOS operating systems including ACT. DEC, IBM, NCR, Olivetti, Texas and Wang. Many IBM-compatible machines can also be accommodated.

A roller-ball "mouse" is used to move a cross-hair cursor about the screen to mark points which the computer joins up to make lines. Items in a menu of activity choices down the rigbt hand sida of the screen are also pin-pointed by the cursor and change according to the work in hand.

Items constructed can be stored for later re-call and use. They can be "dragged" around the screen for re-positioning, expanded or contracted. Particular "windows" on a drawing can be saved and recalled as "named views" and text can be annotated to the drawing in a variety of founts.

Exact positions can be entered via the key-board after which dimensioning is carried out antomatially. A space at the bottom of the screen tells the user what is going on.

Electronics

Component insertion

HEWLETT PACKARD is attempting to perfect hardware that will automatically insert electrical components into printed-circuit boards in a manner such thal the type of component can be changed easily between hatches.

Engineers will be able to program the system, to be installed at a planl in South Queensferry, near Edinburgh, so that the type of component can be varied, thus making possible the production of small batches of boards.

In conventional insertion hardware for printed-circuit boards, the equipment receives components from cassettes or bandoliers in such a way that identical electrical devices are placed in the same positions in different hoards.

It is normally difficult to vary the type of components—as a result, such automation systems are of use only when manufacturers require very long production runs of boards. This could he the case in the manufacture of electrical equipment sold to mass markets, bome compulers for instance.

Where a company wishes to make hoards to fit equipment that is customised to suit the needs of a specific customer, such automatic systems are generally useless. Insertion of components then has to be done by hand.

In collaboration with Taylor Hitec, a small company of engineers near Manchester, Hewlett Packard is installing a £500,000 manufacturing cell for printed-circuit boards at the South Queensferry plant. This could be followed by up to a dozen aimilar cells if the pilot version of the hardware works satisfactorily.

The eqnipment should be useful in the production of the special kinds of goods made by the factory — telecommunications-test hardware. The specification for these prodrcts may need to change frequently depending on the jobs for which they are intended.

The component-insertion cell contains two robot arms, supplied by Siemens Mantec of West Germany. One robot will take boards from a conveyor and load them into the main hody of the cell.

The second robot feeds up to 600 different types of resistors into a sel of cassettes which, io turn, provide a store of components for an aulomatic insertion machine.

A NEW CONSUMER CRAZE?

Flying objects

IS IT a bird? Is it a plane? Is it a frisbee? No, it's Aerohie, the invention of Stanford University Engineering lecturer Alan Adler. Aerobie holds the world'a record for distance flight by a thrown, heavier-than-air object — 1,046 feet 11 inches — and makes the frisbee look like an inebriate dinner plate.

Designed using computer-aided design techniques, Aerobie is basically a ring-shaped, moulded plastic object with a spoiler lip. But look at it go! The average person can throw an aerobie three times as far as a frisbee, and it ia easier to catch.

When not throwing rings into the air, Mr Adler teaches the engineering of sensors at Stanford. He is also a *silicon valley* consultant and inventor, holding 25 patents.

But Mr Adler has been disappointed by the lack of commercial success of his previons inventions, which include ather flying ohjects and a new type of sailboat bull. So Mr Adler has formed his own company, Superflight Inc., to produce aerobies. Already the toys are proving a hit on the Stanford campus.

BUILDING MATERIALS

Man-made granite

A £1.7M venture to produce man mada granite and marhle slabs for cladning and floors, which claims to he respectively 90 per cent and 20 per cent cheaper than the natural products, has just been launched ln Cwmtillery, Gweut, south Wales.

The re-constituted stona is being marketed under the trade name "Celtic Granite." It is produced by consolidating high grade quartz silica aggregate (quarried in Scotland's western isles), and pigmented polyester resin bindera.

The performance specification of the new materials matcbes the fire, weathering and abrasion standarda of polished granite and easily exceeds those of natural marble, according to Marmor Works, the new manufacturing company.

Mr Chris Watson, Marmor's sales and marketing manager, says that as well as these advantages, the material's all round parformance at lesser thicknesses, and its ease of application, makes it ideal as both an lnternal and external building material.

The highly automated production process involves subjecting framed slabs of granite aggregate and resin mixture to a vacuumed and vibrated pressure of over 20 tonnes, to produce the consolidation before curing.

The consolidaled slabs are then ground, polished and cut to the sizes and finishes demanded by the customer, the price working ont at around £12 per square metre.

As well as cladding and flooring, Marmor is offering the material as tiles, panels, sills, treads and skirtings.

The Welsb plant, which claims to be the first of its kind in the world, has a capacity to produce around a quarter of a million square metres a year.

Communications

Fibre optics

PLESSEY RESEARCH at Caswell, Northants, says it has transmitted data at 1300 megabits per second over a distance of 107 km, without errors, using a new kind of monomode "dispersion shifted" glass fibre.

This data rate corresponds to 16,000 simultaneous telephone calls or eight high quality television channels. The significance, say the researchers, is that very simple lasers can be used, whereas other long haul *demonstrations* have needed complex single wavelength lasers which are atill at the research stage.

Agriculture

Farm electronics

A SYMPOSIUM on farm *electronics and computering* is to take place at the end of October at the National Agricultural Centre in Stoneleigh, Warwickshire. It will cover four main areas of information technology. data collection, control applications and on-farm computing. The symposium *will be run by the* Royal Agricultural Society of England but delegates are expected from more than 20 countries. More details on 0203 555100.

Instruments

Distance measuring

SONIC TAPE in London has launched a device which can measure distance using ultrasonic techniques. The system is aimed mainly at estate agents and surveyors for measuring distances difficult to obtain by conventional means. The instrument bas a range of 60 metres and costs abont £450. More details from the company on 01-588 9441.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Pre-budget appeals

Lobbyists stand together on tax

BY WILLIAM DAWKINS

A CRACKDOWN on property developers seeking Business Expansion Scheme equity is widely expected in nxet Tuesday'a Budget, hut demands for reductions in the VAT hurden on small companies are unlikely to get far.

Small business lobby groups are not anticipating that Chancellor igel Lawson will unveil anything ton radical next week. Since the Government has already lounched more than 100 measures apecifically targeted at entreprenures, it is expected to be more concerned about refining existing rules than odding to the complexity of a structure which has already heen criticised for beiog unwieldy.

Moreover, the Chancellor ia under pressure to avold announcing anything controversial enough to risk making the pound more unstable than it already is.

It is well known tiuot David Trippier, the small firms' minister, ia unhappy that the BES is attracting a large number of asset-backed investment proposals like property developers rather than componies georod to creating longer-lasting employment. The City fears that the Treasury ahares Trippier's discontent and that property developers will be harred from the BES, just as farming ventures were in the last Budget — a reform which Trippier welcomed.

Illustrating that anxiety is the recent headlong rusb of property developers to obtain BES equity. In the month of February alone, 14 property companies publicly announced that they were looking for a combined total of £58.1m, which compares with the £43m raised by approved BES funds (normally the most popular kind of BES investment) in the entire tax year so far.

However, the Government is unlikely to make more radical adjustments to the scheme until after the autumn, when the Inland Revenue is due to receive a report oo the BES commissioned from the accountancy firm, Peat Marwick Mitchell. Under BES rules, shareholders get tax breaks for investing in unquoted companies.

Trippier is also well known to be pressing the Treasury to raise the sales level at which companies must pay VAT. The Government's present policy is to raise the VAT threshold — currently £18,700 — in line with the inflation rate at each Budget. Trippier is understood to wish to see it raised to £100,000, a proposal which has hroad support from practically all smal business lobbyists.

They argue that the Treasury would lose far less from raising the limit than small businessmen would gain from the removal of a costly administrative hurden. An estimated 60 per cent of VAT registered companies turn over less than £50,000 annually, yet they generate just 4 per cent of the Treasury's VAT revenue.

However, Lawson's room to make concessions on that front is limited. He is unlikely to want to relieve small businesses' VAT burden without extending it elsewhere, for example, to politically contentious areas like newspopers and books. And the Government is under pressure from the European community to reduce the threshold, not raise it. The British VAT threshold is already the second highest in Europe. If Lawson put it up further, he would provoke e diplomatic row.

Small business lobbyists are more united in wishing to see the VAT threshold increased than they are on any other issue. There is also broad agreement on the desirability of revising Capital Gains and Capital Transfer Taxes.

The Confederation of British Industry, the Union of Independent Companies and the Associotion of Independent Businesses all want to see CGT removed from assets held for a long time (seven years, suggests the CBI) for non-speculative reasons. They argue that CTT should not be charged when business assets are transferred, to make it easier for family companies to hand down ownership to younger generations.

"This measure would be of particular value to small firms, where companies often have to be broken np to pay the tax incurred by o change of ownership," says the CBI in its budget submission to the Chancellor.

The tax position of unincorporated husinesses is another issue high on the lobbyists' agenda. The National Federation of Self-Employed and Small Businesaes and the CBI point out that it was unfair for unincorporated companies to loae capital allowances and stock relief in the last Budget without getting a compensating cut in tax rates.

The federation suggests that unincorporated companies' profits should ha taxed ot 30 per cent, while directors' persinal drawings from the husiness ahould continne to attract personal tax rates. It is joined by the CBI in proposing that a proportion of profits shouid be allowed to attract deferred tax so that they can be ploughed hack into the husiness. Under present rules, unincorporated businesses are taxed according to their directors' personal income.

The Association of Independent Businesses, meanwhile, is urging the Chancellor to restore stock relief, with extra reliefs for work in progress and increases in dehtors, for unquoted companies, partnerships and sole traders. Measures which allow "o small business to save up and spend its own profits are more likely to develop the industrial energies of this sector than any adjustments to rates or allowances," argues the AIB.

National Insurance is another hot issue for the lobbyists. Tho Forum of Private Business, the CBI and tho AIB are the most vociferous in arguing that it is unreasonahle for Notional Insurance to be charged at its full rate the instant someone's earnings cross the £34 per week pay threshold.

"The result is a cluster of employees earning just under £34 per week . . . evidence of the working of this particular sort of poverty trap," says the AIB which, along with the CBI, presses for a reduced rate of entry into income tax and National Insurance. Stan Mendham, chief executive of the Forum of Private Business, maintains that the present National Insurance system puts a proportionately heavier burden on small companies with lower paid employees, and deters entrepreneurs from taking people onto their payrolls.

Putting its overview of small firms' priorities for next week's Budget, the CBI asks for something which not even Lawson can provide easily. "Special measures are indeed needed to encourage a thriving small firms sector," it says in its budget document. "But a general improvement in the business climate and performance of all firms is the best form of help."

David Trippier (left): Will Nigel Lawson take beed?

Why small firms need big business

William Dawkins on a job creation conference

LARGE CORPORATIONS share a common belief that fostering small businesses is a desirable way of combating unemployment in their markets, but they approach the prohlem in revealingly different ways.

Their contrasting approaches were highlighted at a two-day conference in Brussels last week, arranged by the Conference Board, a U.S. management information service. Entitled Joh Creation in Action: Methods et Work, the meeting brought together more than a hundred industrialists, academics, civil servants, and financiers to discuss effective ways of getting small businesses off the ground in Europe.

One strong theme to emerge was that public-sector attempts to assist entrepreneurs—like the Manpower Services Commission's enterprise allowance scheme in the UK or the Dutch system of state benefits for people starting self-employment —were not in themselves enough. They could become really effective only when backed up by the private sector as a source of advice, development finance, or premises.

At the same time, large numbers of potential entrepreneurs throughout Europe were failing to make full use of the assistance available because it was confusingly presented or because they were pnt off by official red tape.

"Most small firms quite simply don't know what is evailable." complained Christopher Hull, e research fellow at the International Institute of Management in Berlin. Dutch businessmen are faced with o "confusing and opaque" system for getting start-up belp, added Wubbo de Boer of the Netherlands Economic Ministry.

Moreover, the self-employed freqnently eperate in the black economy, and are therefere fearful ef approaching government sources of advice. Alleyne Reynolds, managing director of BAT Industries Small Businesses Ltd, which has financed two small business workshop conversions in Liverpool and London, recounted how some small traders were unwilling to use the Department of Industry's Small Firms Service in Loverpool because it was housed in the same building as the Inland Revenue.

They felt more at ease taking assistance from private sources like the tobacco company's low-rent managed workshops. "For BAT, there is an element of enlightened self-interest. We are simply trying to put more pennies in people's pockets so that they buy more fags," explained Reynolds, humourously echoing a widespread justification for corporato philanthropy.

A contrastingly less philanthropic and more commercial approach to helping entrepreneurs was taken by Elf Aquitaine, the French oil group, which over the past 12 years has developed a network of regional small business financing and technical advisory bodies. Between them, they have lent over $100m to 800 projects, and similar organisations have been launched by 12 other big French companies.

Elias Agouri, director of the group's technical centre in the Aquitaine region, outlined four specific benefits arising from the network. It enabled Elf Aquitaine to increase its own knowledge of potentially attractive non-oil industries, to pick np a wide range of possible diversification opportunities, to make commercial contacts with future customers, and to study new markets more easily.

While Elf Aquitaine has been looking to use small companies to attract new ideas, Siemens, the West German electricals giant, has been looking to spin-off its own ldeas to new independent ventures. Its decision last summer to allow four scientists to leave Siemens to start up their own integrated circuit-testing company was almost unprecedented among major German groups. The venture now employs 17 and Siemens is planning another spin-off.

Carl Bewerunge, bead of Siemens' venture capital arm, explained: "To establish spin-offs is in our own business interests. It frequently happens that proposals result from our research and development activities which do not fit in with our existing product lines."

By taking share options in the spin-off and by using it as a supplier, Siemens can share in its success, while at the same time finding a use fer an otherwise peripheral research idea. That strategy is not new to Europe, as the U.S.-owned Cambridge Consultants has shewn in the UK. But it could be a sign that risk-taking is becoming less of a dirty word among the more conservative Continental countries.

In brief . . .

COMPANIES based in the North East which would welcome some free advice might find Sunderland Polytechnie's Business Regeneration and Growth Programme useful.

The programme, which runs for 18 weeks starting on March 25, is funded by the Manpower Services Commission and will be run by Frank Patterson, co-ordinator of the polytechnic's small business centre.

It aims to help participating companies to expand hy identifying existing activities which can be improved, potential growth areas, and government grants which they might have overlooked.

The programme consists of seminars which will be held twice weekly—once in the afternoon and once in the evening—and is designed te interfere as little as possible with the day-to-day running of the businesses taking part. In addition, consultants from the small business centre will visit the companies throughont the course, and will be available to give odviee and guidanee. Participants will be asked to report back on the advice they bave received.

Details from Frank Patterson, Small Business Centre, Department of Business Maangement, 1-4 Thornhill Park, Sunderland.

●

ONE WAY to pick np useful contacts or to meet potential sources of finance is to tread the small business conference circuit. And there is no shortage of dates for the roaming conference-goer to put in his diary this year.

Starting a High-Tech Business in Scotland is the theme of a one-day ferum te he held at the National Engineering Laboratory in East Kilbride on March 20. Details from Scottish Business Insider, 10a St Colme Street, Edinburgh.

The National Federation of Self Employed and Small Businesses will bold its national cooferenee in Kensington Town Hall from March 22-24. Speakers include Dr David Owen, leader of the Social Democrats and John Moore, financial secretary to the Treasury.

There will also be a small business debate between Ken Livingstone, the Greater London Council leader, Bill Sirs, former president ef the Iron and Steel Trades Confederation; and a leading Tery politician. Details from the federation at 140 Lower Marsh, London SE1.

The University of Southampton and the Hampshire Development Association will present a one-day seminar on venture capital for high technology companies on March 26.

The seminar will cover sources of venture capital in the UK, the presentation of proposals to financiers, risk analysis, management and marketing for growth. Details from the ISVR conference secretary, The University, Southampton.

Further ahead, the International Council for Small Business will be holding its 30th annual werld conference in Montreal from June 16-19. The theme will be small business in the entrepreneurial era. Details from the Secretariat—30 ICSB World Conference, Ecole des Hautes Etudes Commerciales, 5255, Decelles Ave, Montreal, Quebec, Canada.

The International Small Business Conference — full details of which have yet to be confirmed—is to be held in Taipei from September 7-11. The UK Forum of Private Business is arranging a package trip for those who wish to attend. It should cost around £1,500 and will incindo a short stay in Tokyo to visit Japan's Expo '85. Details from the forum at Ruskin Chambers, Drury Lane, Knutsford, Cheshire.

●

THE contribution made by worker co-operatives to London's economy is outlined in a booklet published by the Co-operative Advisory Group.

They have created more than 1,000 new jobs in the capital over the past four years and look well on the way to employing a tetal of 4,000 by the end of this year, maintains the booklet. The combined sales of London's 250 co-operatives reached an estimated £29m last year, a figure expected to reach £58m in 1985.

Just over half of the co-operatives are engaged in service businesses, ranging from computer software to printing to pregnancy advice. The next largest sector is retailing, which accounts for 22 per cent of the movement's sales.

Not surprisingly, the problems faced by co-operatives are very similar to those encountered by other small businesses. A survey of the sector carried ont just over a year ago showed that 28 per cent of the co-operatives felt lack of finance was the most important obstacle to growth. Marketing and selling difficulties were cited by 20 per cent of the respondents as their greatest constraints.

Worker Co-operatives in London: A Profile. 50p from Co-operative Advisory Group, 272-276 Pentonville Road, London, N1 9JY.

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I.B.A. UNITS from £42,500. 100% tax allowance. Wealden Industrial Properties Ltd., Tonbridge, Kent TN11 0PU. Telephone: Pembury (0892 82) 4746. 24 hour answering service.

INVESTMENT FOR SALE. 100% IBA Investment. 6 Nursery Units each 625 sq. ft. Superb specification. Kingsbury Road, Minworth, Birmingham. Frontage main road position. Developers Rental Guarantee. Freehold £26,000 per unit. Salway Upton & Partners. 021-643 2595

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INVESTORS REQUIRED. For specialist Joinery Manufacturer, Midlands based. Modern New Freehold Premises. Good Skilled Labour. Latest Machinery. Principals only need apply. Offers considered. Write Box F.5535, Financial Times, 10 Cannon Street, London EC4P 4BY.

SMALL COMPANY manufacturing high-quality wooden giftware in South Devon seeks £15,000 capital for expansion. Equity available under B.E.S. Minimum investment £5,000. Tel: 054 053 325.

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wishes to retain or affiliate with a UK Financial Representative to seek Joint Venture Capital. Representative, James B. Gribben in England, March 23-27th at the Dorchester Hotel, London. Interested parties may contact. Enduro Oil Company, 11811 Katy Suite 460 Houston, Texas 77079 or TWX 910-881-5578 Gulas Hou. Phone (713) 464-8719. We invite your inquiries.

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24 St Stephen's Green, Dublin 2, Ireland
Telephone 789066/766758/601222 Telex: 25804

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Our central station is receiving and monitoring signals from over 800 commercial and residential customers. We are based in central London and also monitor signals from 19 other alarm companies. Fully computerised, direct wire and cable facilities. Our income exceeds £40,000 per annum and is recurring mostly by way of customer bankers standing orders. Our station is highly sophisticated and one of the most advanced in the U.K.
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Divan Bed Manufacturing Company
West Yorkshire
The Receiver and Manager invites offers for the assets and goodwill of a manufacturing company producing divan beds. The business is run from freehold premises in the West Yorkshire area with a current turnover of approximately £1 million per annum.
For further information please apply to:
The Receiver and Manager,
Mr Peter Stewart Flesher,
Thornton Baker, Chartered Accountants,
Eldon Lodge, Eldon Place, Bradford BD1 3AP.
Tel: 0274 734341. Telex: 35611.
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For sale—the business and assets of
SPECIALIST DIY SUPPLY
company, with exclusive products, currently based in the West Midlands. Turnover £550,000 giving high gross margin returns with further capacity for expansion.
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BUSINESS FOR SALE
Kitchen import and retail Company trading from three outlets in South of England
Turnover approx £900,000
Good profit record
Price: £500,000
Replies to:
Advisory & Brokerage Services Ltd
317 High Holborn
London WC1V 7NL
(Reference: RAB)

Industrial Hose Distributors
An attractive, fast growing private company, located in the Midlands, seeks merger with expanding public company to secure continuation of present growth level in the future.
The company operates in the industry sector as stockists and distributors of industrial hose and hose fittings; and sells to original equipment manufacturers, agricultural engineers and industrial users.
The company has its own property – a modern well-equipped base – and anticipates turnover in the current year being in the region of £500,000; with an above average return.
Interested principals should contact:
N. K. Challis
Peat Marwick Acquisition Services (licensed dealer in securities)
1 Puddle Dock
Blackfriars, London EC4V 3PD
Telephone: (01) 236 8000 Telex: 8811541
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(In receivership)
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Further information available from:
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C&L
Small, profitable electric motor and pump manufacturing business. Separately operated subsidiary of Servis Domestic Appliances, situated in freehold property in Romford. Currently employing 80 people.
Turnover for the year to 31st December 1984 £1.4m with budgeted sales for 1985 of £1.8m.
Enquiries and further details from the Joint Receivers and Managers:
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M. A. Jordan & R. A. Stone
Shelley House
3 Noble Street
London EC2V 7DQ
Tel: 01-606 7700
Telex: 884730 CORKGY G

PROPERTY COMPANY FOR SALE NORTHERN IRELAND
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Full particulars may be obtained from the Agents:
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11 Rosemary Street, Belfast.
Telephone: Belfast 220634.

PRECISION ENGINEERS
WEST MIDLANDS
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Further details from:
A. J. Galloway FCA
BINDER HAMLYN
St John's House, St John's Square, Wolverhampton WV2 4BD
Telephone: 0902 21486

PRODUCTION ENGINEERING/HYDRAULIC ENGINEERING BUSINESS FOR SALE
BASED UPON THE SOUTH COAST AND ESTABLISHED 20 YEARS
The company has undergone a difficult trading period, but based upon its own product range and established customer base, should provide an opportunity for significant growth and profitability.
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Further information available to principals only.
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SMALL PRECISION ENGINEERING COMPANY
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Aberdeen

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The manufacturing plant is on leasehold premises situated at Bridge of Don, Aberdeen. Annual turnover is £1.2 million.

For further details please contact the receiver:
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Peat, Marwick, Mitchell & Co.
9 Bon Accord Square
Aberdeen.
Telephone: (0224) 591232

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Further information from Drahame J. Watts

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Financial Times
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10 Cannon St, London EC4P 4BY

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For further information contact:
The Receiver, Robert Buller
THORNTON BAKER,
49 Mill Street, Bedford, MK40 3LB.
Tel: 0234 211521. Telex: 826340.
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- ★ Comprising 11 purpose-built, fully-equipped studios ideal for advertising, fashion and commercial photography.
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- ★ Unique facilities for vehicle photography with infinity cove.
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Further information from C. Morris or R. Smaridge

Touche Ross & Co.
Hill House, 1 Little New Street, London EC4A 3TR.
Telephone: 01-353 8011 Telex: 261064

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FT LAW REPORTS

Leave to proceed against Canadian company refused

SPILIADA MARITIME CORPORATION v CANSULEX LTD
Court of Appeal (Lord Justice Oliver and Lord Justice Neill):
March 7, 1985

A PLAINTIFF who seeks leave to serve a writ out of the jurisdiction on the sole ground that English law is the proper law of the contract sued upon, has a particularly heavy burden to prove that the English court is distinctly more suitable a forum than a foreign court. The appellate court is therefore entitled to interfere if the judge, though correctly formulating the principles to be applied, holds that leave should be granted, not because the English court is distinctly more suitable, but merely because the foreign court is not overall more suitable.

The Court of Appeal so held when allowing an appeal by Cansulex Ltd, shippers of sulphur on the Spiliada, from Mr Justice Staughton's refusal to grant their application to discharge an order granted to the shipowners, Spiliada Maritime Corporation, to serve proceedings against them out of the jurisdiction.

The shippers had submitted that the obvious place for litigation was Vancouver, where the relevent contract was made and the ship was loaded. Neither party had any connection with England but the shippers had a close connection with Canada, where they carried on business. The only connection with England was the fact that the bills of lading were governed by English law.

Order 11 rule 1 (1) (f) (iii) of the Rules of the Supreme Court (RSC) provides that leave may be granted to serve a writ out of the jurisdiction where the contract sued upon is governed by English law.

Rule 4 (2) provides: "No such leave shall be granted unless it shall be made sufficiently to appear to the court that the case is a proper one for service out of the jurisdiction . . ."

* * *

LORD JUSTICE NEILL said that in November 1980 the Spiliada loaded 19,644 metric tons of sulphur at Vancouver for carriage to India.

The shipowners contended that the cargo was wet when loaded and caused severe corrosion and pitting to the holds and tank-tops of the vessel. They claimed damages and the cost of remedial work against the shippers.

The only basis on which they could obtain leave to serve proceedings out of the jurisdiction was that the contracts sued on were governed by English law (see RSC Ord 11 (Rule 1 (1) (f) (iii)).

Leave was given to serve the writ in Vancouver or elsewhere in Canada. The shippers applied to Mr Justice Staughton to discharge the order and set aside the writ.

During the hearing of the applications another action was brought by owners of the Cambridgeshire against, *inter alia*, the same shippers, for damage caused by sulphur loaded at Vancouver. Evidence in that case was taken on commission before Mr Justice Staughton in Vancouver and Seattle.

Solicitors for the owners were the same in both cases.

In his judgment on the applications the judge said that the most important witnesses of fact would be from concerns in Vancouver, and ship's officers, but that there were likely to be many witnesses from other places. As to expert witnesses he said "experts can travel, or be replaced by other experts."

"Nevertheless," he concluded, "Vancouver is not overall a more suitable place for trial than England in terms of convenience of witnesses." He refused the applications. The shippers appealed.

It was clear from *Hadmore [1983] 1 AC 191, 220* and *Abidin Daver [1984] AC 398* that an appellate court must be very careful in dealing with an appeal which involved review of a judge's discretion.

On the other hand, it was plain from Lord Diplock's speech in *Hadmore* that though a judge might accurately formulate the principles he was seeking to apply, the appellate court had a duty to scrutinise the application of those principles in case he had given some factor inordinate weight or placed it in the scales on the wrong side.

The principles to be applied where a plaintiff sought leave to serve a writ out of the jurisdiction solely on the ground that the contract was governed by English law were recently considered in *Amin Rasheed [1984] AC 50, 65*.

There Lord Diplock said that the jurisdiction exercised by an English court as a result of granting leave was "an exorbitant jurisdiction" in that, under general conflict rules, it would not be recognised as possessed by any foreign court in the absence of treaty. He said: "Comity thus dictates that the judicial discretion to grant leave . . . should be exercised with circumspection in cases where there exists an alternative forum."

Considering the effect of RSC Ord 11 r 4(2) he said at page 68 that the onus of showing it was a proper case for service lay on the plaintiff. "The exorbitance of the jurisdiction . . . is an important factor to be placed in the balance against granting leave. It is . . . capable of being outweighed if the would-be plaintiff can satisfy the English court that justice either could not be obtained by him in the alternative forum, or could only be obtained at excessive cost, delay or inconvenience . . .".

For the purpose of the present appeal, those illustrations were only examples of situations capable of tipping the balance in favour of the granting of leave (see *The Ilyssia CA November 9 1984*).

At page 72 in *Amin Rasheed*, Lord Wilberforce said that "the intention must be to impose on the plaintiff the burden of showing good reasons why service of a writ should . . . be permitted upon a foreign defendant . . . The court must take into account the nature of the dispute, the legal and practical issues involved, questions of local knowledge, availability of witnesses and their evidence and expense."

Therefore, where the only ground relied on for granting leave was that English law was the proper law of the contract, a court must approach the question on the basis that the jurisdiction to grant leave was exorbitant; the burden of showing "good reasons" rested on the plaintiff; the burden was particularly heavy; and that all relevant facts and circumstances must be taken into account.

In the end, however, the court's task was to do what in its discretion "it considers that justice demands" (*MacShannon [1978] AC 795, 819*).

Mr Justice Staughton formulated the test to be applied as "if the English court is shown to be distinctly more suitable for the ends of justice then the case is a proper one for service out of the jurisdiction."

That would not be faulted as a test if proper weight were given to "distinctly." On the judge's analysis of the facts the convenience of parties and witnesses probably tilted the scales towards British Columbia as the forum, but certainly did not show that an English court would be "distinctly more suitable for the ends of justice."

The judge attached great weight to the Cambridgeshire factor. He said that the owners' solicitors had made dispositions and incurred expense for the trial of one action in England and "overall it would be wasteful of talent, effort and money" if the parties to the present case had to start again in Canada.

The Cambridgeshire litigation was a legitimate factor to weigh in the balance. The judge was in a unique position to assess the effort which the owners' solicitors had put into preparation of the action, and the expertise they had accumulated. "It was also a matter to be weighed in the balance" that solicitors were available in London who because of their experience in the other action, were well able to handle the shippers' affairs.

The judge, however, attached too much importance to the Cambridgeshire factor. Other legal advisers would be available in Canada. The fact that London solicitors had acquired detailed knowledge about shipment of sulphur from Vancouver was a pointer to trial in England, but should not be regarded as of decisive importance if other factors tilted the balance the other way.

The Court of Appeal was entitled to interfere and to look at the matter afresh. It was impossible to conclude that the relevant factors, when taken together, showed that the English court was "distinctly more suitable for the ends of justice."

The owners were concerned that action in British Columbia could be defeated by a statutory two-year limitation defence.

In the *Adolf Warski [1978] 1 Lloyd's Rep 107* Mr Justice Brandon pointed to three possible views about the existence of a time-bar in a foreign jurisdiction. It could be said that the refusal of a stay of English proceedings would deprive the defendants of an accrued defence abroad, that the grant of a stay would deprive the plaintiffs of a legitimate advantage in England, or that because the position of both parties should be looked at, the existence of a time-bar was a neutral factor.

The shippers in the present case were resident and carried on business in British Columbia. *Prima facie*, it was in that jurisdiction that a potential plaintiff should seek to sue them. *Prima facie*, the shippers were entitled to arrange their affairs so as to take advantage of limitation provisions enacted in British Columbia.

The two-year period was not unduly short and could be extended under British Columbian law. Also that law enabled the court in British Columbia to apply the limitation law of another jurisdiction "if a more just result is produced."

If one took account of the exorbitant nature of the jurisdiction which the owners were seeking to invoke, it would be wrong to ignore the disadvantage which the shippers might suffer if they were deprived of a potential limitation defence.

On the facts of the present case the existence of the time-bar was to be treated as a neutral factor. The appeal should be allowed.

Lord Justice Oliver gave a concurring judgment.

For the shippers: Peter Goldsmith (Linklaters and Paines).

For the shipowners: Nicholas Legh-Jones (Holman Fenwick and Willan).

By Rachel Davies
Barrister

FT Commercial Law Reports
March 12 1985

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday March 12 1985

Aluminium prices tumble on surprise rise in stocks, Page 38

WALL STREET

A subdued tone amid consolidation

FINANCIAL markets on Wall Street began the week in subdued form yesterday, with stocks easing back from their opening levels on volume lower than has been seen in recent weeks, while bond prices consolidated after last Friday's surge, *writes Michael Morgan in New York.*

Stock prices opened marginally ahead but began to drift lower after the first hour's trading.

However, by 3pm, the Dow Jones industrial average was up 0.99 at 1,270.85.

In the credit markets, prices of Treasury coupon issues were little changed in the wake of a federal funds rate that eased back to 8⅝ per cent from its 8¾ per cent opening.

The price of the key long bond, the 11¼ per cent of 2015, fell 7/32 to 96 14/32. On Friday, it had risen almost 1¾ points after a decline in the level of manufacturing industry employment left analysts believing that the Fed was less likely to firm its credit stance in the near term.

In the money markets, yields continued to fall, narrowing the gap with bond market rates, head of results late in the day of the regular weekly auction of $14bn of bills. The three-month Treasury bill, yielding 8.49 per cent was 10 basis points lower while the six-month bill, yielding 8.80 per cent, was 7 basis points lower.

Yields on Certificates of Deposit were up to 15 basis points lower.

In the stock markets Asarco, the non-ferrous metals groups put on $⅜ to $26⅜ as it began legal moves to block an attempt by the Bell Resources group, controlled by Australian investor, Mr Robert Holmes à Court, to raise its stake to 50 per cent.

American Natural Resources was $⅝ lower at $61½ ahead of today's board meeting which will review options aimed at avoiding a takeover by Coastal Corporation. Coastal was $½ higher at $34 as it continued to hold out the possibility of raising its $60 a share offer if ANR agrees to negotiate a friendly bid.

Castle Cooke dipped $1⅛ to $11⅞. The food products and property company which is facing cash flow problems and tough terms from its major lenders on restructuring its debt has said it was talking with another, unidentified company about a possible merger.

Unocal, the oil group whose stock has been accumulated by a group led by Mr T. Boone Pickens, eased $⅜ to $46¼ after disclosing that it had tightened its rules on director nominations and shareholder votes.

J. M. Tull, the metal products group, surged $6 to $19½ as Inland Steel begann a hostile bid of $19 a share for all Tull's 5.1m shares. Inland Steel traded down $½ at $23⅜.

Coleco, the maker of Cabbage Patch dolls which earlier this year announced plans to withdraw from the home computer market, added $¼ to $13⅞ in the wake of its sharply highr fourth-quarter and full-year losses.

West Point Pepperell fell $2 to $38¼ after the textile group announced sharply lower second-quarter results.

Apple Computer, which last week detailed plans to close its four factories for a week to reduce inventories, traded unchanged at $21½. IBM added $⅞ to $130½. It has revised plans to build microcomputers in Mexico and is now proposing increased levels of investment. Jobs and exports, as well as improved technology.

National Semi conductor added $¼ to $11⅛ as its subsidiary. National Advanced Systems, introduced a new mainframe computer series which it described as its most advanced mainframe computers. National Semiconductor plans to lay off 400 workers at its Salt Lake City plant because of continuing soft demand for semiconductors.

Among the motor manufacturers, Ford traded unchanged at $44¼, after announcing plans to invest $117m in its Buffalo, NY, stamping plant. General Motors was $⅝ lower at $78½, while Chrysler was unchanged at $32⅝.

Pan American traded unchanged at $4½ after a Federal mediator ordered a resumption tomorrow of talks on a new contract with the union representing 5,700 striking workers.

In the banking sector, Citicorp, the world's largest banking group, eased $⅛ to $¼ after its agreement with Maryland officials to establish a full service bank in the state.

Among actively traded stocks on the New York Stock Exchange, Phillips Petroleum fell $¾ to $48⅝ and Square D, the electrical equipment manufacturer, traded unchanged at $39⅞.

On the American Stock Exchange, active issues included Dome Petroleum, $⅛ lower at $⅞ and BAT Industries $1/16 ahead at $4 1/16.

HONG KONG

EXPECTATIONS of poor results for some large Hong Kong companies kept prices mostly lower and the Hang Seng index slipped 15.16 to 1,380.11 in moderate trading.

Hongkong Electric, expected today to announce poor results for 1984, eased 15 cents to HK$7.35. A substantial loss in 1984 at International Cities Holdings also depressed the market.

Hang Seng Bank eased 50 cents to HK$46.50 despite reporting better than expected profits for last year. Hongkong Land slipped 18 cents to HK$4.92, Hongkong and Kowloon Wharf 10 cents to HK$5.45, Jardine Matheson 30 cents to HK$9.35, while Henderson Land resisted the trend and rose 3 cents to HK$1.72.

Both Wheelock Marden and Hongkong and Shanghai Bank remained unchanged at HK$7.30 and HK$8.80 respectively.

Bank of East Asia, which is seen as having growth potential in China, put on 50 cents to HK$23, but Hutchison Whampoa lost 20 cents to HK$20.30.

CANADA

LACKLUSTRE trading in Toronto led to a modest downturn, and the Composite index at one stage was 12.77 lower at 2,601.07.

Daon Development traded up 20 cents at C$4.85 but Dome Petroleum lost 11 cents to C$2.65 and Bell Canada dropped C$⅛ to C$38⅞.

The *Montreal* market *portfolio* index was off 0.58 at 130.15.

EUROPE

Diversity induces caution

DIVERSE DEVELOPMENTS, ranging from local elections to corporate results and encompassing the demise of the Soviet president, led to a cautious start to the week on the European bourses yesterday. West Germany and the Netherlands, nevertheless, returned near to their recently established all-time peaks with small gains.

A narrowly mixed **Amsterdam** saw a 0.3 gain in the ANP-CBS index to 206.3 ahead of the announcement by Nederlandsche Middenstandsbank of a ½ percentage point rise in the surcharge on base lending fees to 1 per cent. This bad a depressing effect on sentiment as many viewed the move as confirmation that domestic and U.S. interest rates are not likely to fall.

Some disappointment was registered with Heineken's results, and the brewer shed Fl 2.60 to Fl 157. Philips retreated 80 cents to Fl 62.70 after details of its restructuring, and insurer Nat-Ned traded at Fl 68.70 following its one-into-four share split on Friday when it closed at Fl 275.

Among those managing gains were Bredero, Fl 3.50 higher at Fl 154 and VMF-Stork Fl 2 ahead at Fl 145. Océ van der Grinten continued the progress made last week with a 50-cent rise to Fl 314, a new high for the year.

Bonds firmed. The CBS-Bond index rose 1 point to 102.1 and the average yield for state bonds dropped to 8.05 from 8.19. Among key state issues, the latest 8 per cent loan added 60 basis points to 99.3 and the previous 7.5 per cent issues rose 80 basis points to 96.5 per cent.

Subscriptions close today for the Fl 150m 8.75 per cent ABN subordinated capital bond issue at par. Yesterday's partial recovery in the bond market is expected to aid demand for the issue.

Regional and municipal elections in Germany had virtually no impact on quiet Frankfurt trading. Interest shifted away from equities toward the bond market after Friday's surge in U.S. bond prices. Gains of up to 70 basis points were scored as fears faded that the Bundesbank will force interest rates higher.

Early bond trading was active with orders of up to DM 20m, but demand eased as the session progressed. The Bundesbank sold DM 45m against purchases of DM 82.1m on Friday.

In the stock market, Siemens featured strongly with a DM 10 surge to DM 561, while Porsche stormed ahead to another all-time high of DM 1,388, up DM 10.

The tone of the session was reflected in the movements in the leading bourse indices. The Commerzbank index gained 2.2 to 1,205.3, just below its all-time high, while the FAZ index moved 0.12 higher to a record 417.72.

A firmer trade developed in **Paris** although local election results had little impact. Reports from Moscow about the death of the Soviet president failed to influence trading. The presence of institutional buying and a decline in short-term interest rates underpinned the better performance.

Transport group Chargeurs hit a 12-month high with a FFr 22 rally to FFr 509 and Galeries Lafayette in stores managed a FFr 14 rise to FFr 320.

Caution dominated **Zurich** despite broad optimism over forthcoming corporate results.

Banks were mixed with Credit Suisse SwFr 5 down at SwFr 2,415 while Dow Banking added SwFr 20 to SwFr 1,190.

Food manufacturer Hero rose SwFr 250 to SwFr 4,000 after Friday's defensive move against a possible takeover.

Bonds closed mostly lower.

Brussels and **Madrid** started the week higher while **Milan** retreated under technical pressure.

Stockholm was hit by the Government price freeze announced on Friday although trading was moderate. Ericsson fell SKr 13 to SKr 259 ahead of lower 1984 results. Electrolux moved against the trend with a SKr 5 rally to SKr 322, a new high for the year.

AUSTRALIA

LOWER prices and light trading in Sydney took the All-Ordinaries index down 4.1 to 783.9. Melbourne was closed for a Labour Day holiday.

Hooker, the property group which is subject to a A$2.05 a share takeover offer by Sunshine Australia, traded heavily to close unchanged at A$2.08. Bond Corporation, also actively traded, ended up 1 cent at A$1.49.

Elsewhere, Comalco lost 10 cents to A$2.50 and BHP fell 2 cents to A$5.54. Bell Resources put on 4 cents to A$5.74.

The group is interested in raising to 50 per cent its stake in Asarco, the mining company, which in turn has filed a lawsuit against Bell Resources.

SINGAPORE

DISAPPOINTING news on corporate income tax in Singapore's 1985 budget dampened trading, and prices fell across the board on some profit-taking. The Straits Times industrial index lost 7.64 to 841.98.

Although Sime Darby reported better than expected interim results, it slipped 4 cents to S$2.00. Consolidated Plantations, its subsidiary, followed suit, ending 2 cents lower at S$2.88.

Elsewhere, Malayan Banking eased 5 cents to S$6.25, Inchcape 8 cents to S$2.80 and Genting 5 cents to S$5.85.

LONDON

GILTS remained the dominant sector as London began the fortnightly trading account which covers next Tuesday's budget. A strong rally in sterling also led to heavier demand.

BTR, which announced an increased offer for Dunlop late Friday, advanced strongly. BTR put on 33p to 891p and Dunlop gained 15p to 66p. The clearing banks also moved up. The FT Ordinary share index ended 1.1 up at 989.2.

Chief price changes, Page 32, Details, Page 33, Share information service, Pages 34–45.

SOUTH AFRICA

DESPITE a steady bullion price, gold shares eased in Johannesburg, where buyers remained on the sidelines waiting for a clearer trend to develop in the price of gold and value of the rand.

Vaal Reefs dropped R3 to R172 and Southvaal lost R1 to R71.50. Randfontein gained R1.50 to R174.50 and Kloof ended unchanged at R70.50.

Diamond producer De Beers lost 7 cents to R9 and Rustenburg Platinum also slipped, shedding 35 cents to R15.

TOKYO

Sustained retreat from peaks

GROWING investor concern about record price levels, coupled with the usual absence of incentives for the beginning of the week, drove the market down in Tokyo yesterday for the third straight session, *writes Shigeo Nishiwaki of Jiji Press.*

Only medium to low-priced basic materials and China-related issues attracted buying interest. Market activity dwindled as the day progressed.

The Nikkei-Dow Jones market average shed 83.68 to close at 12,263.85, posting a three-day loss of 234.82. Volume fell sharply to 285m shares from Friday's 355m. Declines outpaced advances by 492 to 245 with 163 issues unchanged.

The sustained setback had a number of causes: The margin debt on the three major exchanges hit an unprecedented high of Y3,000bn; the Dow Jones industrial average in New York failed to top 1,300, and corporate buying, mainly through trust accounts, which had been the driving force behind the recent price surge, weakened ahead of the closing of accounts at the end of March. Reports that Soviet President Konstantin Chernenko had died were another dampener.

Pharmaceutical issues, which had attracted buyers as leaders of biotechnology-related stocks, fell sharply. Mochida Pharmaceutical moved the maximum Y500 down Y8,650. News that continuous use of a stomach-ulcer drug could cause cancer pushed Sankyo down Y100 to Y1,200, Dainippon Pharmaceutical Y250 to Y5,380 and Yamanouchi Pharmaceutical Y130 to Y3,790.

Mitsui Toatsu Chemicals topped the active list with 21.63m shares changing hands, on joint development of an anti-thrombosis agent with a U.S. company. The stock rose Y15 to Y210. Reports that Tsumura Juntendo had developed an anti-cancer drug sent the issue up Y160 to Y2,040.

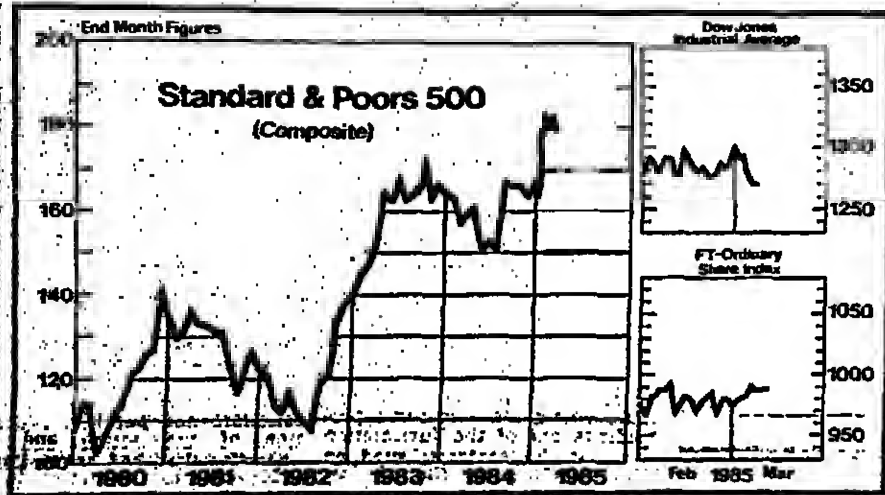
Among selectively bought medium and low-priced shares, ranging from Y200 to Y500 per share, Mitsubishi Steel Manufacturing ranked fifth on the active list with 6.93m shares, spurred by the start of sample amorphous alloy supplies. The stock climbed Y46 to Y356.

Mitsubishi Chemical, second most active with 14.88m shares, gained on speculation of a possible resumption of dividend payments for the accounting year ending next January. The stock rose Y7 at one stage but closed Y4 down at Y453. Nippon Kinzoku also drew strength from its development of new materials such as amorphous alloys, gaining Y35 to Y950.

Elsewhere, Isuzu Motors opened firm but finished Y4 down at Y442 after late selling.

The bond market behaved well, reflecting the good performance of the credit market in the U.S. But many institutional investors stayed on the sidelines, leaving bond dealing to securities firms. The yield on the benchmark 7.3 per cent 10-year government bond due in December 1993 slipped to 6.925 per cent from last Friday's 6.975 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 11	Previous	Year ago
NEW YORK			
DJ Industrials	1,270.65*	1,269.66	1,139.76
DJ Transport	612.16*	615.37	498.46
DJ Utilities	147.52*	147.77	125.92
S&P Composite	179.10*	179.10	154.34
LONDON			
FT Ord	989.2	988.1	844.1
FT-SE 100	1,290.8	1,288.6	1,063.6
FT-A All-share	622.09	619.40	503.64
FT-A 500	680.25	677.62	541.66
FT Gold mines	475.5	474.9	697.9
FT-A Long gilt	10.71	10.78	10.07
TOKYO			
Nikkei-Dow	12,263.85	12,347.50	9,997.22
Tokyo SE	975.66	981.91	785.21
AUSTRALIA			
All Ord.	783.9	788.1	719.3
Metals & Mins.	469.2	473.0	495.6
AUSTRIA			
Credit Aktien	73.13	72.64	55.32
BELGIUM			
Belgian SE	2,302.78	2,296.5	–
CANADA			
Toronto Metals & Minls	2,043.3*	2,057.9	2,207.0
Composite	2,599.8*	2,613.8	2,386.8
Montreal Portfolio	130.18*	130.73	117.17
DENMARK			
Copenhagen SE	176.34	176.49	193.78
FRANCE			
CAC Gen	207.2	206.3	181.1
Ind. Tendance	112.40	111.90	85.54
WEST GERMANY			
FAZ-Aktien	417.72	416.92	344.81
Commerzbank	1,205.3	1,203.1	1,011.1
HONG KONG			
Hang Seng	1,380.11	1,395.27	1,094.40
ITALY			
Banca Comm.	276.0	278.3	217.4
NETHERLANDS			
ANP-CBS Gen	206.2	205.9	161.0
ANP-CBS Ind	163.5	163.4	132.4
NORWAY			
Oslo SE	322.83	321.20	250.14
SINGAPORE			
Straits Times	841.98	849.62	1,021.21
SOUTH AFRICA			
Golds	n/a	907.2	1,045.4
Industrials	n/a	847.7	1,047.9
SPAIN			
Madrid SE	112.18	111.17	84.11
SWEDEN			
J & P	1,412.20	1,424.00	1,492.93
SWITZERLAND			
Swiss Bank Ind	426.8	426.9	362.2
WORLD	Mar 8	Prev	Year ago
Capital Int'l	195.6	196.0	182.2

GOLD (per ounce)

	Mar 11	Prev
London	$290.75	$291.25
Zürich	$291.00	$291.50
Paris (fixing)	$291.22	$288.65
Luxembourg	$290.45	$289.05
New York (Apr)	$290.10	$288.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Mar 11	U.S. DOLLAR Previous	STERLING Mar 11	STERLING Previous
$	–	–	1.089	1.0665
DM	3.3385	3.4125	3.6375	3.6275
Yen	259.15	261.6	282.25	278.75
FFr	10.205	10.37	11.1475	11.06
SwFr	2.847	2.89	3.1025	3.08
Guilder	3.777	3.8375	4.115	4.0825
Lira	2,087.5	2,122.5	2,274.0	2,263.0
BFr	67.3	68.2	73.1	72.75
C$	1.391	1.3995	1.51	1.4935

INTEREST RATES

	Mar 11	Prev
Euro-currencies (3-month offered rate)		
£	13 7/16	13⅞
SwFr	5 11/16	5⅞
DM	6⅝	6½
FFr	11 5/16	11 5/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 5/16	9 11/16
6-month U.S.$	9 13/16	10 7/16
U.S. Fed Funds	8 5/16*	8 7/16
U.S. 3-month CDs	8.9*	9.3
U.S. 3-month T-bills	8.47*	8.60

U.S BONDS

Treasury	Mar 11* Price	Mar 11* Yield	Prev Price	Prev Yield
10 1987	99 5/32	10.55	98 17/32	10.85
11⅝ 1992	99 19/32	11.70	98 20/32	11.92
11¼ 1995	97 11/32	11.35	95 29/32	11.97
11¼ 2015	96 14/32	11.69	94 14/32	11.94
Corporate	**Mar 11* Price**	**Mar 11* Yield**	**Prev Price**	**Prev Yield**
AT & T				
10⅜ June 1990	95	11.65	95	11.65
3⅞ July 1990	74¼	10.30	74¼	10.30
8¾ May 2000	74⅝	12.50	74⅝	12.50
Xerox				
10⅞ March 1993	92¼	12.20	92¼	12.20
Diamond Shamrock				
10⅜ May 1993	91½	12.30	91½	12.30
Federated Dept Stores				
10⅞ May 2013	88.128	12.55	88.128	12.55
Abbot Lab				
11.80 Feb 2013	93.47	12.65	93.47	12.65
Alcoa				
12¼ Dec 2012	94.36	13.00	94.36	13.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69–24	70–02	69–20	69–26
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.54	91.58	91.51	91.47
Certificates of Deposit (IMM) $1m points of 100%				
March	90.96	91.00	90.94	90.87
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.72	90.72	90.62	90.42
20-year Notional Gilt £50,000 32nds of 100%				
March	104–30	104–31	104–28	104–10

COMMODITIES

(London)	Mar 11	Prev
Silver (spot fixing)	521.00p	534.35p
Copper (cash)	£1,279.00	£1,289.50
Coffee (March)	£2,364.00	£2,406.50
Oil (spot Arabian light)	$27.70	$27.825

WEST GERMANY

Candidates assemble for launch

"THIS IS not just a passing fad. Companies will continue to be launched on the bourse even in less favourable stock market conditions."

As these remarks by a Frankfurt banker indicate, the West German stock market is assuming a greater role as a source of funds for medium-sized and privately owned companies prepared to go public *writes John Davies in Frankfurt.*

Plans for stock market reform are being pushed ahead to consolidate this trend. The number of companies being launched on the stock market, however, is still very small by some foreign standards and the obstacles, psychological and financial, remain considerable.

New bourse launches, which were no more than a trickle for many years, built up to a peak of 21 last year, with the public share offers effortlessly raising a total of DM 1.7bn ($495m). Deutsche Bank promoted most of last year's flotations, while Commerzbank was also prominent, along with BHF-Bank and Dresdner.

In banking circles, it is felt that the number of launchings this year could match or just fall short of last year's rate.

So far this year, Fuchs Petrolub, a lubricants group founded more than 50 years ago, has raised DM 18m with an offer of non-voting preference shares through Deutsche Bank, while Brillantleuchten, a lighting manufacturer set up more than 30 years ago, has raised DM 10.5m in an ordinary share offer arranged through the co-operative DG bank.

Bankers expect the wave of launches to gather more momentum later in the year, once businesses have finalised their 1984 results.

The largest companies to go public last year were Porsche, the sports car maker, and Nixdorf, the data processing concern, whose share offers totalling DM 874m raised more cash than all the other launchings put together.

With bankers reluctant to disclose plans, there are indications of larger concerns going public in the near future.

FAG Kugelfischer, the bearings and engineering group, is among those expected to join the list. Henkel, the detergents manufacturer, has also figured lately in renewed speculation about a stock market launch, although the family-owned company maintains there is no firm plan.

The improved stock market mood during the past 2½ years, coming after corporation tax changes, has made share buying more attractive for investors and has encouraged more West German businesses to initiate a public share offer. More companies have been launched on the stock market in the last three years than in the previous 20 years.

"New launchings will continue as a normal process in the years ahead," according to one banker. "There will perhaps not be as many as 20 companies a year coming to the bourse, but every year there will be quite a few."

In an attempt to consolidate this trend, the Bonn Government and bourse experts are pressing ahead with plans for stock market reform, with draft legislation possible within the next couple of months.

One widely accepted proposal is that there should be statutory recognition for a second tier of trading. Companies going public now have the choice of three tiers – official trading, geregelter Freiverkehr (over-the-counter market) or Telefonverkehr (unregulated free market).

Although there is still debate about how it will be achieved and about the implications, the intention is to put a second tier on a sounder footing. Specific requirements would be laid down for second-tier companies, but companies would still have easier access to this market than to an official listing.

However, with West Germany's strong tradition of private businesses, one problem for owners is the nagging worry that going public could mean losing some control, either to employees or shareholders.

Once a business is restructured into public company form employees theoretically gain a say in its running through representatives elected to the supervisory board. Reluctance to formalise such employee influence accounts for the caution of some businessmen, according to bankers.

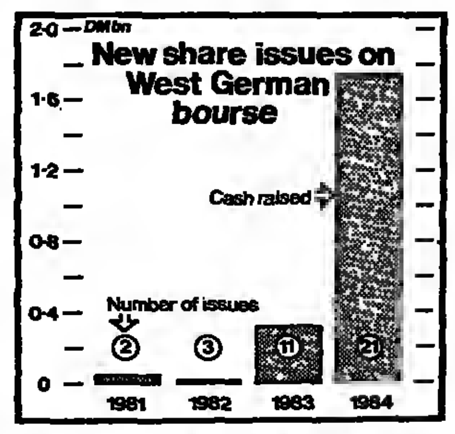
Many families which have managed businesses for years are also reluctant to yield influence to shareholders from outside, especially if the businesses are not in urgent need of capital. One way around this problem has been the issue of stock in the form of non-voting preference shares – the type of new shares issues by Porsche and Nixdorf, among others.

Some bankers, in fact, encourage enterprises to take this course in order to overcome any hesistancy about going public. Although non-voting shares are frowned on in some stock market circles overseas, West German bankers tend to argue that investors, including foreigners, are not deterred by non-voting preference shares.

"They want to make money, not to vote," one prominent banker said. "The lack of voting rights is only a topic of conversation between journalists and bankers."

Another hindrance to stock market launchings is the cost, in both money terms and management time, which may be involved in reshaping companies in preparation for going public.

"Some have a lot of parallel businesses," one bank executive said. "They must restructure, and that takes a lot of time."



Restructuring can also lead to tax burdens as a result of realising property or financial assets in the process of moving them from one unit of a business to another.

The Bundesbank has repeatedly suggested that not enough is being done to improve the financial position of businesses through the stock market and to reduce their reliance on bank lending.

But bankers react caustically to such claims, pointing out that concern about possible outside interference and tax costs, as well as fear of excessive publicity, can be inhibiting factors.

Bankers are also anxious to avoid launching businesses on the bourse too hastily, without long and detailed consideration of their basic strength and prospects.

They are concerned to avoid the predicament of Portfolio Management, the Munich financial consultancy, which played a pioneer role in helping companies to go public only to see some of them slip into financial difficulties.

Despite the obstacles, however, the stock market evidently figures more prominently in the thinking of West German businessmen these days and reform proposals should underpin this trend in future years.

Prices at 3pm, March 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅛	18⅛	AAR	.48	2.4	18	51	20⅜	[illegible]	20	−⅜
22	9⅜	AGS			11	40	15	14½	14⅞	−⅛
16⅛	11	AMCA				6	11⅜	11¼	11¼	−¼
17⅞	13¼	AMF	.50	3.0	37	403	16¾	16¾	16¾	+¼
43¼	24¼	AMR			9	1203	39½	35¾	39¼	−⅛
20⅜	16¼	AMR	pf2.16	11.		z16	16⅞	19⅜	19⅞	+⅜
23	19	ANR	pf2.12	10.		1	21	21	21	
67¼	44⅝	ASA	2	4.2		414	47¾	47⅜	47¾	+¾
27	18	AVX	.32	1.4	14	93	23⅜	22⅞	23¼	+¼
30½	36¾	AbtLab	1.40	2.6	15	1723	48¾	48⅜	48¾	
25⅞	18½	AccoWds	.44	1.9	19	376	24	23¾	23¾	
22½	12½	AcmeC	.48	2.3		8	17⅜	17⅛	17⅛	−⅜
17⅜	15	AdaEx	2.11e	13.		126	16¾	16⅜	16½	+½
58	11⅞	AdmMl	.32	1.9	7	42	17	16⅝	16¾	−½
19½	8⅝	AdvSys	.81t	7.0	19	132	11⅜	11⅜	11⅜	+⅛
41⅛	25⅛	AMD			13	2242	32⅜	31⅞	32⅛	+½
12¾	6⅞	Advest	.12	1.1		70	10¾	10⅝	10⅝	−¼
14⅝	6¾	Aerflex			13	33	13¾	13½	13½	
42⅝	27¼	AetnLf	2.64	6.5	39	1626	41	40⅛	40¾	+⅛
58¾	52⅜	AetL	pf5.83e	11.		202	58	54⅛	34½	−¼
32⅛	16⅝	Ahmns	1.20	4.0	17	530	30¼	29¾	30¼	+⅝
4½	2⅝	Aileen			21	1	2¾	2¾	2¾	−⅛
51	38⅝	AirPrd	1.20	2.4	11	167	49¼	48⅞	49	
24⅜	16	AirbFrt	.88	2.8	12	4	22¾	22¾	22¾	
2	⅞	AlMoa	n		21	222	1⅝	1⅛	1½	−⅛
[illegible]										

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Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 11

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI n			21	79	5½	5⅛	5⅛	−¼
14⅛	8¼	AL Lab	.20	1.6	11	1	12¼	12¼	12¼	+⅛
20⅝	12	AMC n	.12	.6	14	169	18½	18⅛	18¼	−¼
5⅞	2⅜	AM Intl				583	4½	4¼	4⅜	
78¼	58	ATT Fd5.52e		7.2		87	76½	76¼	76⅜	+⅛
6	2⅛	AcmePr				3	4⅜	4⅜	4⅜	
14¼	8½	AcmeU	.32	3.2	16	18	10	9⅞	9⅞	
16¼	10¾	Action			24	223	12⅝	12⅜	12½	−⅛
9¼	3⅞	Acton				21	4½	4⅜	4⅜	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5¼	2⅝	WrldAr				5	3¾	3⅝	3⅝	
81	45¾	Wrigly	1.80a	3.1	10	x11	58⅝	58	58⅜	+⅞
6⅜	3⅛	Wurltzr				47	3⅞	3¾	3⅞	+⅛
18½	10¾	WyleLb	.32	2.3	11	125	14	13⅞	13⅞	−¼
21⅞	16¾	Wynns	.60	2.8	8	25	21¼	21½	21⅛	−¼
		X Y Z								
46¼	33¼	Xerox	3	6.8	18	1788	44⅜	44⅛	44⅜	−¼
51⅜	45¼	Xerox	pf5.45	11.		1	49½	49½	49½	
30	24	ZaleCp	1.32	4.5	9	18	29¼	29⅛	29⅛	−⅜
24⅞	13¾	Zapata	.84	6.2	10	1193	14	d13½	13⅝	−⅜
58	30	Zayre	.40b	.7	14	301	54¾	34½	34½	−½
31¼	18⅛	ZenithE			7	700	21⅜	20⅞	21⅝	+⅛
21⅞	14⅝	Zero	s		19	30	26⅞	20⅛	20⅛	−½
31⅜	21⅛	Zumin	1.32	4.6	11	x115	29⅜	29	28	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next-day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 11	Price Sch%	+ or —
Creditanstalt	239	—4
Goesse	479	—1
Interunfall	503	—5
Laenderbank	289	+4
Perlmooser	410	—2
Steyr-Daimler	175	
Veitscher Meg	388	+2

BELGIUM/LUXEMBOURG

Mar. 11	Price Frs.	+ or —
B.B.L.	1,870	+10
Banq. Int. A. Lux	6,000	
Bekaert B	5,600	+40
Ciment CBR	6,623	+60
Cockerill	280	
Delhaize	7,990	
EBES	3,038	+13
Electrobel	6,800	
Fabrique Nat	0,143	—03
GB Inno BM	3,300	
GBL (Brux)	2,180	
Gevaert	4,050	+130
Hoboken	5,000	—10
Intercom	2,283	+28
Kredietbank	8,240	+60
Pan Hldgs	11,300	—100
Petrofina	7,050	—50
Royale Belge	10,900	—100
Soc. Gen. Banq	5,480	
Soc. Gen. Belge	2,035	+20
Sofina	8,010	+100
Solvay	4,400	+10
Stanwick Intl.	1,850	+20
Tractionel	4,280	+18
UCB	5,360	+10
Wagon Lits	2,628	—23

DENMARK

Mar. 11	Price Knr %	+ or —
Andelsbanken	289	+1
Baltic Skand	635	—5
CopHandelsbank	889	+1
D. Sukkerfab	543	
Danske Bank	288	+1
De Danske Luft	1,245	
East Asiatic	172	
Forenede Brygg.	835	
Forenede Damp.	95	
GNT Hldg	424	
I.S.S.B.	411	—4
Jyske Bank	583	
Novo Ind.	1,555	—13
Privatbanken	247	+1
Provinsbanken	314	+2
Smidth (F)	220	—3
Sophus Berend	280	
Superfos	426	+6

FRANCE

Mar. 11	Price Frs.	+ or —
Emprunt 4½% 1973	1543	—7
Emprunt 7% 1973	7,826	+16
Accor	278	+6.2
Air Liquide	551	+9
BIC	563	+4
Bongrain	1,784	+8
Bouygues	640	+1
BSN Gervais	2,399	—1
CIT-Alcatel	1,270	+17
Carrefour	1,680	+5
Club Mediter'n	1,270	+3
Cie Bancaire	682	+1
Cofimeg	265	—0.8
Damart	2,313	
Darty	1,683	
Dumez S.A.	603	+3
Eaux (Cie Gen)	562	+2
Elf-Aquitane	243	+3
Essilor	2,030	
Gen. Occidentale	779	+22
Imetal	03.5	—1.4
Lafarge Coppee	442	+6.0
L'Oreal	2,420	+00
Legrand	2,180	+45
Maisons Phenix	221	+6.5
Matra S.A.	1,810	—40
Michelin B	626	+12
Midi (Cie)	2,210	—30
Moet-Hennessy	1,995	+6
Moulinex	112.3	
Nord Est	80.5	+6
Pernod Ricard	713	—7
Perrier	545	+9
Petroles Fra	x73.3	+2.7
Peugeot S.A.	273.1	+3.9
Printemp.Aus	202.8	—2.1
Radiotech	269	—0.2
Redoute	1,258	—12
Roussel-Uclaf	1,658	+18
Sefimeg	320.6	+0.1
SkisRossignol	2 020	+20
Telemech Elect.	2 410	+10
Thomson CSF	308	+8
Valeo	230.1	—3

GERMANY

Mar. 11	Price Dm.	+ or —
AEG-Telef	111.2	—0.8
Allianz Vers	1020xr	+11
BASF	813.4	+0.7
Bayer	825.2	—0.9
Bayer-Hypo	313	+1
Bayer-Verein	323.3	+0.5
BHF-Bank	262	+2.5
BMW	388.5	—1.3
Brown Boveri	012.7	—0.3
Commerzbank	165	—0.5
Cont'l. Gummi	134.7	—0.8
Daimler-Benz	688	—5
Degussa	356	+1
D'sche Babcock	168	—1
Deutsche Bank	422	+0.5
Dresdner Bank	187.7xr	+0.7
GHH	155.2	+0.7
Hochtief	453	—4
Hoechst	813	+0.5
Hoesch Werke	111.8	+1.4
Holzmann (P)	329	
Horten	172	
Hussel	203	
Karstadt	213	
Kaufhof	218	+2.8
KHD	261.5xr	—1.8
Kloeckner	61	+0
Linde	415	—9
Lufthansa	123	—2.3
MAN	152	—1.5
Mannesmann	139	—0.4
Mercedes Hld.	507	+0
Metallgesell	246	+1.8
Munich Rueck.	1160	—88
Nixdorf	541.3	—3
Porsche	1388	+10
Preussag	257	+2
Rhein West Elect	152	
Rosenthal	240	—2
Schering	470	—1
Siemens	551	+10
Thyssen	102.3	+0.8
Verta	185	+0.2
Veba	170	+0.2
V.E.W.	122	
Verein-West.	312	
Volkswagen	200.8	+1.8

ITALY

Mar. 11	Price Lira	+ or —
Banca Com'le	16,601	—299
Bastogi-IRBS	189.2	—4.8
Bani Invest Risp.	8,990	—10
Centrale	3,275	—85
Credito Varesine	4,111	—02
Fiat	0,258	—18
Finsider	58.7	—1.3
Generali Assicur.	39,993	—635
Italcementi	84,490	—470
La Rinascente	579	—2
Montedison	1,469	—10
Olivetti	5,760	—30
Pirelli Co.	4,853	—10
Pirelli Spa	2,233	—17
Snia BPD	2,893	—30
Toro Assic.	14,000	+300
do. Pref.	10,900	—180

NETHERLANDS

Mar. 11	Price Fls	+ or —
ACF Holding	196.8	—0.8
AEGON	187.0	+1.5
Ahold	209.3	+1.5
AKZO	113.8	+0.6
ABN	894.5	
AMEV	613.0	
AMRO	74.0	—0.9
Bredero Cert.	154.0	+3.8
Bos Kalis Westm.	18.1	—0.3
Buehrmann-Tet.	88.0	—2.0
Calland Hldgs.	37.8	+1.3
Dordtsche Pet'm	176.8	—0.5
Elsevier-NDU	115.0	+0.3
Fokker	100	
Gist Brocades	185.8	—1.9
Heineken	137.0	—2.8
Hoogovens	81.8	—0.4
Int Mueller	47.5	+0.8
KLM	86.7	—0.9
Naarden	46.2	+0.7
Nat Ned Cert.	673	
Ned Md Bank	173.0	
Nedlloyd	177.2	+1.4
Oce Grinten	314.0	+0.3
Ommeren (Van).	28	
Pakhoed	87.2	+0.4
Philips	62.7	—0.8
Robeco	76.6	—0.3
Rodamco	130.9	
Rolinco	69.5	—0.8
Rorento	44.1	
Royal Dutch	203.1	—1
Unilever	346.0	
VMF Stork	143	+2
VNU	210.8	+0.3
West Utr Bank	104.0	+1.2

NORWAY

Mar. 11	Price Kroner	+ or —
Bergens Bank	168	—1.8
Borregaard	388	+5
Christiania Bank	144	
DenNorske Cred	165	—1
Elkem	181	+5
Kvaerner	178	—3
Norsk Data	415	—1
Norsk Hydro	106	
Storebrand	240.5	+8.5

SPAIN

Mar. 11	Price Pta%	+ or —
Bco Bilbao	340	
Bco Central	313	
Bco Exterior	208	+5
Bco Hispano	150	+1
Bco Popular	371	—8
Bco Santander	348	+0
Dragados	177.3	+9
Hidrola	63.7	+3.2
Iberduero	63.7	+8.2
Petroleos	137.0	+0.3
Telefonica	186.8	+1.8

SWEDEN

Mar. 11	Price Kronor	+ or —
AGA	386	+8
Alfa-Laval	184	—1
ASEA (Free)	310	—3
Astra (Free)	360	
Atlas Copco	103	
Cardo (Free)	650	
Cellulosa	122	
Electrolux B	308	+3
Ericsson	282	—13
Esselte	570	
Mo Och Domsjo	063	—8
Pharmacia	607	—8
Saab Scania Free	400	
Sandvik	410	+10
Skandia	296	+1
Skan Enskilda	51	
SKF	206	+3
St Kopparbergs	137	
Sven Handlesbn.	166	+1
Swedish Match	017	—11
Volvo B (Free)	223	—4

SWITZERLAND

Mar. 11	Price Frs.	+ or —
Alusuisse	900	+10
Bank Leu	3,630	—85
Brown Boveri	1,700	—40
Ciba Geigy	3,040	—23
do. (Part Certs).	2,415	—10
Credit Suisse	2,413	—5
Elektrowatt	2,720	+8
Fischer (Geo.)	753	—13
Hoff-RochePtCts	89,375	—373
Hoff-Roche 1/10.	8,973	+60
Jacobs Suchard.	5,280	—83
Jelmoli	1,890	—40
Landis & Gyr	1,640	—63
Nestle	5,540	—40
Oer-Buehrle	1,470	
Pirelli	307	
Sandoz (Br)	8,050	—30
Sandoz (PtCts)	1,410	—10
Schindler (PtCts)	790	
Sika	1,110	—10
Surveillance	4,260	
Swissair	1,160	
Swiss Bank	363	—6
Swiss Reinsce	2,300	—200
Swiss Volksbk	1,480	—8
Union Bank	3,540	+10
Winterthur	3,780	—40
Zurich Ins	20,650	

AUSTRALIA

Mar. 11	Price Aust $.	+ or —
ANZ Group	4.36	—0.03
Alliance Oil Dev.	1.05	
Ampol Pet	1.83	
Ashton	1.64	+0.01
Aust Cons Ind.	0.90	—0.1
Aust. Guarantee	2.45	
Aust. Nat. Inds	6.83	+0.03
Aust. Paper	2.49	—0.01
Bell Group	6.3	
Bell Res	5.74	+0.04
Bond Corp Hldgs	1.49	+0.01
Boral	3.33	+0.04
Bougainville	1.97	—0.01
Brambles Inds	3.68	+0.02
Bridge Oil	2.2	+0.05
B.H. Prop	8.54	—0.02
CRA	3.7	
CSR	2.72	—0.03
Castlemaine Tys.	4.65	—0.01
Coles (G.J.)	3.66	—0.05
Comalco "A"	2.8	—0.1
Consolidated Pet	0.48	
Costain Aust	1.8	
Dunlop Aust.	6.17	—0.02
Elders IXL	3.13	—0.03
Energ Res.	1.45	—0.05

AUSTRALIA (continued)

Mar. 11	Price Aust. $	+ or —
Gen Prop Trust	2.18	
Hardie (James)	3.06	+0.01
Hartogen Energy	6.18	—0.02
Herald W'yTimes	4	
IOI Aust.	1.9	
Jimberlana F.P.	0.25	
Kia Ora Gold	0.12	
Lend Lease	5.7	—0.2
MIM	2.87	—0.50
Mayne Nickless	5.18	—0.05
Myer Emporium	1.76	—0.05
Nat. Aust. Bank	5.51	+0.01
News	18.3	+0.6
Nicholas Kiwi	6.07	—0.05
North Bkn Hill	6.28	—0.02
Oakbridge	0.73	—0.01
Pancont'l	1.8	
Pioneer Conc	1.81	+0.01
Poseidon	5	
Queensland Coal	1.32	
Reckitt & Coln	5.4	
Repco	1.19	
Santos	5.52	+0.02
Smith (Howard)	3.85	—0.1
Thos. Natwide	1.78	—0.07
Tooth	5.8	
Vamgas	8.8	—0.1
Western Mining	5.38	
Westpac Bank	3.34	—0.05
Woodside Petrol.	0.77	—0.01
Woolworths	5.21	—0.01
Wormald Intl.	5.18	—0.00

HONG KONG

Mar. 11	Price H.K.$	+ or —
Bank East Asia	08	+0.8
Cheung Kong	15.5	—0.2
China Light	15.2	—0.2
Evergo	1.47	
Hang Seng Bank	46.5	—0.8
HK Electric	7.38	—0.18
HK Kowloon Wh.	8.45	—0.1
HK Land	4.22	—0.18
HK Shanghai Bk.	9.9	
HK Telephone	70.3	—1.5
Hutchison Wpa.	60.3	—0.2
Jardine Math	0.58	—0.3
New World Dev.	5.76	—0.1
Orient O'seas	0.32	—0.08
Oseas Trust Bk.	9.8	
SHK Props	9.0	—0.00
Shell Elect.	1.57	
Swire Pac A.	66.1	
TV—B	8.0	+0.15
Wheel'k Mard A.	7.5	
Wheel'k M'time	1.10	
World Int. Hldgs.	1.0	—0.02

JAPAN

Mar. 11	Price Yen	+ or —
Ajinomoto	1,060	—30
Alps Electric	2,310	—10
Amada	1,170	—20
Asahi Chem	792	—10
Asahi Glass	877	—1
Bridgestone	518	—2
Canon	1,440	—10
Casio Comp.	1,940	—30
Chugai Pharm.	1,060	—10
Citizen	875	+13
Daiei	520	—1
Dai Nippon Ptg	1,030	—10
Daiwa House	547	—3
Ebara	366	—4
Eisai	1,980	—160
Fanuc	15,050	—60
Fuji Bank	1,600	—60
Fuji Film	1,860	—20
Fujisawa	1,060	—60
Fujitsu	1,480	
Green Cross	3,800	+20
Hasegawa	369	—5
Heiwa Real Est.	890	
Hitachi	865	
Hitachi Credit	1,050	—30
Honda	1,480	
House Food	700	
Hoya	8,660	—10
Itoh (C)	323	—7
Ito. Yokado	6,360	+30
Iwatsu	1,060	—30
JACCS	623	
JAL	5,060	—80
Jusco	683	+2
Kajima	377	—9
Kao Soap	990	—8
Kashiyama	596	+1
Kirin	575	+6
Kokuyo	900	
Komatsu	436	—2
Konishiroku	678	—3
Kubota	320	
Kumagai	692	—18
Kyoto Ceramic	6,130	—100
Maeda Const.	490	+3
Makino Milling	1,280	—40
Makita	1,140	—10
Marubeni	309	—1
Marudai	555	
Marui	270	—10
MEI	1,610	—90
M'ta Elec Works	729	—5
M'bishi Bank	1,580	
M'bishi	518	—8
M'bishi Elec	384	—5
M'bishi Estate	552	—4

JAPAN (continued)

Mar. 11	Price Yen	+ or —
MHI	257	+2
Mitsui Co.	337	
Mitsui Estate	588	—11
Mitsukoshi	488	—5
NGK Insulators	1,000	—10
Nihon Cement	224	—3
Nippon Denso	1,440	
Nippon Elect	1,160	
Nippon Express	358	—4
Nippon Gakki	2,140	+60
Nippon Kokan	185	
Nippon Oil	853	—6
Nippon Seiko	648	—7
Nippon Shimpan	883	
Nippon Steel	151	
Nippon Suisan	330	
NTV	10,740	—170
Nippon Yusen	245	+3
Nissan Motor	518	—2
Nisshin Flour	452	—8
Nisshin Steel	171	—1
Nomura	1,180	—10
Olympus	1,280	—50
Orient Leasing	3,220	
Pioneer	0,080	—20
Renown	510	+9
Ricoh	908	+3
Sankyo	1,200	+100
Sanyo Elect.	491	+1
Sapporo	403	—5
Sekisui Prefab	541	+5
Seven-Eleven	8,750	+60
Sharp	1,050	
Shimadzu	825	—3
Shionogi	728	—7
Shiseido	1,040	—20
Sony	4,820	+20
Stanley	981	—18
S'tomo Bank	1,760	—30
S'tomo Elect.	011	—4
S'tomo Marine	502	—11
S'tomo Metal	149	+1
Taihei Dengyo	485	+18
Taisei Corp	907	+9
Taisho Pharm.	1,190	—10
Takeda	842	—13
TDK	5,120	+10
Teijin	431	—4
Teikoku	645	—8
Tokyo Marine	810	—4
TBS	770	+5
Tokyo Elect Pwr	1,890	—20
Tokyo Gas	169	
Tokyo Sanyo	718	—4
Tokyo Style	705	—3
Tokyu Corp.	806	—9
Toppan Print	970	—6
Toray	459	—8
Toshiba Elect.	418	
TOTO	547	—3
Toyo Seikan	840	—10
Toyota Motor	1,350	—00
Victor	9,250	—50
Wacoal	701	—4
Yamaha	770	—90
Yamanouchi	8,790	—180
Yamazaki	627	—1
Yasuda Fire	411	—4
Yokogawa Bdge.	418	—4

SINGAPORE

Mar. 11	Price $	+ or —
Boustead Hldgs.	1.76	
Cold Storage	2.73	
DBS	6.05	—0.02
Genting	5.86	—0.05
Haw Par. Bros.	9.47	—0.05
Hong Leong Fin.	3.26	+0.02
Inchcape Bhd	2.5	—0.08
Keppel Shipyard	1.77	—0.06
Malay Banking	6.28	—0.05
Malay Utd. Ind	2.42	—0.09
Multi Purpose	1.0	—0.03
OCBC	9.85	—0.10
OUB	5.08	—0.04
Public Bank	1.97	—0.02
Sime Darby	2.0	—0.04
Singapore Press	5.5	—0.05
Straits Trdg	4.34	—0.08
Tat Lee Bk.	6.76	—0.06
UOB	4.56	—0.06

SOUTH AFRICA

Mar. 11	Price Rand	+ or —
Abercom	1.98	
AE&CI	6.55	
Allied Tech	48	
Anglo Am Coal	41.0	—1.8
Anglo Am Corp	92.73	+0.1
Anglo Am Gold	137.0	—3.50
Barclays Bank	14.2	+0.05
Barlow Rand	2.7	+0.06
Buffels	69	+0.25
CNA Gallo	2.30	
Currie Finance	3.5	
De Beers	2.0	—0.07
Driefontein	48.85	—0.5
FS Geduld	42	
Gold Fields SA	2.25	
Highveld Steel	3.85	—0.05
Nedbank	6.90	
OK Bazaars	12.75	
Protea Hldgs	1.2	
Rembrandt	31.25	
Rust Plat	13.0	—0.35
Safren	12.5	—0.12
Sage Hldgs	8.55	
SA Brews	8.0	+0.05
Smith (C.G.)	19.78	+0.25
Tongaat Hulett	5.40	—0.12
Unisec	4.70	

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr 9½pc Cnv. 1989	£92¹⁵⁄₁₆	+ ½
Tr 13pc 2000	£114½	+ ¾
A.C. Cars	60	+ 7
Antofagasta	265	+45
BTR	691	+33
Barlow Hldgs.	125xd	+14
British Tel.	135	+ 5
Brown (Matthew)	290	+22
Christies	643	+23
Dunlop	66	+15
Fleet Hldgs.	288	+18
Ford (Martin)	42	+ 4
Foster Bros.	228	+20
Ingall Inds.	85	+12
Invent Energy	970	+70
Lonrho	166	+ 7
Low & Bonar	337	+10
Lucas Inds.	272	+ 7
Ocean Trans	165	+ 7
OOPittard	110	+14
Plant & Gen. Inv.	345	+10
REA Hldgs.	357	+ 8
Rank Org.	372	+14
Royal Bk. of Scot.	270	+12
Sedgwick	383	+ 7
Stock Conver	473	+23
Stylo	200	+17
Tricentrol	218	+18

FALLS

Group Lotus Car.	114	— 4
ICI	813xd	— 9

Continued on Page 40

CANADA

TORONTO
Prices at 2.30pm March 11

Sales	Stock	High	Low	Close	Chng
3112	Abd Prce	$50⅛	50	50⅛	—⅜
[illegible]					

MONTREAL
Closing prices March 8

Sales	Stock	High	Low	Close	Chng
[illegible]					

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 31

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate hopes and revived Budget optimism arouse heavy demand for Gilts

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Government stocks were again the dominant sector yesterday as London markets began the fortnightly trading Account which covers next Tuesday's Budget. Gilt-edged turnover increased noticeably from the outset with buyers responding to a slightly more optimistic reading of the weekend financial columns. Heavier demand followed yesterday's strong rally in sterling as the dollar went lower against most other leading currencies.

Sharply easier UK money market rates—three months interbank dropped from 13 15/16 per cent to 13 9/16 per cent—injected fresh enthusiasm. Capping the renewed show of confidence was the expectation of good news not only on UK money supply trends but also on clearing bank base rates. The announcement of February's banking statistics is scheduled for 2.30 pm today.

The authorities were bid for stock and sold all of the £200m tranche of Treasury 10½ per cent 1999 and most of Conversion 10 per cent 2002, made available to the market only from 9.30 am. The Government broker also supplied part of the £200m issue of Treasury 9 per cent 1994 and the short tap stock, £20-paid Exchequer 11 per cent 1990, the latter at 20¾, before withdrawing.

The recent favourable trend in U.S. bond prices reinforced the Gilt market's strong tone. Quotations continued to edge higher in the after-hours' trade and longer-dated stocks settled at the session's best with gains stretching to ¾. The shorts were a maximum of 5/16 higher, while index-linked issues improved more marginally.

Equities presented many features, but they were usually the result of selective support following Press announcements or recommendations. BTR, which announced an increased offer for Dunlop late Friday evening, advanced strongly, while the clearing Banks, despite being quoted ex their respective dividends, moved up well too. Many blue chip industrials were also traded in ex-dividend form; the combined deductions of six constituent stocks took around 3½ points off the FT Ordinary Share index, which closed 1.1 up at 989.2.

RBS better

Press comment in the wake of the dividend season helped the major clearing banks start the new Account firmly. Lloyds advanced 22 to 550p xd on further consideration of Friday's results, while NatWest added 13½ at 622p xd. Barclays moved up 8½ to 585p xd and Midland gained 7½ at 345p xd. Royal Bank of Scotland, up 18 last week on rumours of a stake build-up, rose 12 more to 270p. Elsewhere, Kleinwort Benson gained 10 to 490p in anticipation of today's preliminary figures. Goode Durrant and Murray firmed 3 to 83p, after 86p, on the announcement that a controlling stake in the company had changed hands.

General Accident stood out among firm Composites with a Press-inspired gain of 18 to 553p. GRE rose 17 to 670p and Royals 10 to 585p. Among Lloyds Brokers, Sedgwick added 7 to 383p, after 386p, ahead of Thursday's annual figures. Hogg Robinson firmed 8 to 294p and Stewart Wrightson 14 to 612p.

Leisurewear group Pepe made a disappointing debut in the Unlisted Securities Market; the shares, oversubscribed 20 times at the offer-for-sale price of 100p, opened at 107p, but fell back on stag selling to 98p before settling at 101p. Among other recently-issued counters, Sangers gained 6 to 53p and the 11 per cent Convertible 7 points to £121 following a newsletter recommendation.

Regional Breweries featured fresh takeover speculation in Blackburn-based Matthew Brown which spurted 22 to 290p; the shares attracted similar support over the New Year amid persistent talk of an offer from Scottish and Newcastle which later subsided as Whitbread Investments announced that it had acquired just over 5 per cent of Brown's equity.

Dealers reported a firm undertone in the Building sector. Most leading issues managed modest progress with Blue Circle hardening 3 to 515p and Rugby Portland Cement adding a couple of pence to 129p. RMC edged up 4 to 364p and BPB Industries improved 3 to 240p. Tarmac, a good market last week following comment on its U.S. expansion plans, moved up 8 more to 502p. Elsewhere, Taylor Woodrow firmed 4 to 361p on occasional interest, while Ward Holdings gained 7 to 165p, after 170p, in reply to a newsletter recommendation.

ICI were a relatively subdued market and, after opening at 823p xd, drifted back on lack of interest to close 9 cheaper at 813p xd.

Stores advance

Predictions of lower interest rates around Budget time gave leading Stores a fillip. The encouraging retail sales figures for last month also helped sentiment. Woolworth closed 15 up at 708p, Gussies "A" 10 higher at 708p and Habitat Mothercare 8 dearer at 326p. Marks and Spencer improved a few pence to 140p, while Burton put on 4 to 452p as did Debenhams, to 212p. House of Fraser, after touching 405p around the time Al-Fayed Investment and Trust acquired a further 11.4m shares at 403½p, reacted to finish the day 4 lower on balance at 398p on the claim that the Egyptians had gained control, and that the 400p per share bid had become unconditional. Earlier, Lonrho moved up 7 to 166p following the disclosure that it had sold 9.7m shares in House of Fraser for £39.1m.

Secondary Stores provided several firm features. Foster Bros, currently in receipt of a bid from Ward White, jumped 20 to 228p on news of an approach from a third party, rumoured to be Sears. Martin Ford advanced 4 more to 42p following Press comment highlighting bid possibilities, while Dixons rose 11 to 594p following details of the sale of Curry's television and video rental business to Electronic Rentals, 2 up at 43p. T. and S. Stores rose 7 to 126p following the results, while Freemans and Grattan gained 12 to the common level of 182p. Among Shoe concerns, Stylo jumped 17 to 200p following revived speculative support and Pittard gained 14 to 110p ahead of next Monday's results.

Among the Electrical leaders, an early flurry of buying activity left British Telecom 5 higher at a new peak of 135p. Plessey helped by a report that System X is to go into service at the end of next month, were firm at 188p xd, up 8. Elsewhere, Telemetrix rose 15 to 385p in response to Press mention, while Briktat gained 30 to 355p on hopes of a Brazilian order. Philcom hardened 2 to 42p following preliminary figures.

Leading Engineers passed a relatively quiet trading session. GKN edged higher in anticipation of tomorrow's preliminary statement and closed 6 to the good at 227p, but TI, scheduled to report annual results on Thursday, eased a couple of pence to 236p. Selective demand was evident for secondary issues. Further consideration of the half-year figures left Yarrow 15 higher at 455p, while Burgess Products were noteworthy for a rise of 11 to 147p. Takeover favourite Davy Corporation, put on 8 further to 105p. Comment on the bid situation left J. and H. B. Jackson 6 dearer at 111p, while bidders Williams Holdings rose 10 to 253p. Press comment also stimulated demand for RHP, up 7 at 104p, and 600 Group, 3 better at 99p.

In a generally firm Food sector, Press comment highlighting bid possibilities stimulated support for Banks Hovis McDougall, 4 higher at 142p. Buyers also favoured Unigate, 3 dearer at 157p. Northern Foods, a firm counter last week, made fresh progress to 240p prior to closing a couple of pence dearer at 238p. Buying ahead of Thursday's annual figures lifted Needlers 8 to 102p.

Christies up again

Apart from the sharp rise in BTR, movements in the miscellaneous industrials leaders were confined to a few pence either way. Boots hardened 4 to 174p on its Store interests. Elsewhere, further Press suggestions of a bid prompted renewed demand for Christies International, which advanced 23 to 643p. Ingall Industries closed 12 higher at 85p following news of the 80p per share bid from Greater Midlands Co-operative Society, while good annual results and a proposed one-for-two scrip issue left Low and Bonar 10 higher at 337p. Barham rose 15 to 440p following recent lunches with institutional investors and weekend Press mention. Revived demand left Pentland 25 higher at 490p, while Rank Organisation responded to speculative interest with a rise of 14 to 372p. Satisfactory interim results prompted a gain of 5 to 180p in Parker Knoll, while Marlin Industries closed a like amount dearer at 84p following a newsletter recommendation. News of the joint negotiations with Bellway to acquire Falmouth Ship Repair took Appledore up 2 to 104p, but Bellway gave up 4 at 116p. Pentos hardened 1½ to 42½p awaiting today's preliminary statement.

Intasun firmed 3 to 108p on news that Iberotravel had increased its stake to 8.9 per cent, while late support left Saga 11½ higher at 184p xd. Elsewhere in the Leisure sector, Medminster remained a firm counter in the wake of the good interim results and rose 9 to 185p xd.

Dunlop jumped 15 to 66p, after 69p, and BTR leapt 33 to 691p, after 707p, following Friday's late news that the seven-week takeover battle had ended with a surprise merger agreement. Elsewhere in Motors, AC Cars rebounded 7 to 60p, after 63p, following revived speculative buying. Lucas Industries put on 7 to 272p, but Group Lotus Cars, recently strong on hopes of closer links with Chrysler, dropped 4 to 114p following the directors statement effectively defusing the situation.

Among Newspapers, Fleet Holdings gained 10 to 288p on revived bid speculation.

A Press suggestion that Property companies could become more attractive if the Chancellor announces a reform of capital gains tax in the Budget prompted selective demand for the Property leaders. Buyers favoured Land Securities and MEPC, both 4 dearer at 302p and 306p respectively. Elsewhere, Stock Conversion gained 23 to 473p on Press suggestions of a 500p per share consortium bid for the company. Stockley put on 5 to 68p on speculative interest and Bairstow Eves gained a like amount to 80p awaiting today's annual results. London Shop Property Trust hardened a penny to 132p following satisfactory interim figures.

Ocean Transport featured Shippings with a Press-inspired gain of 7 at 165p.

Recent U.S. favourite Bats continued to dominate proceedings in Tobaccos with a fresh improvement of 6 at 368p.

Comment on the merger situation prompted a rise of 14 to 125p in Barlow and a gain of 11 to 150p in Majedie. Elsewhere in Financial Trusts, Antofagasta jumped 45 to 265p on revived speculative support.

Tricentrol good

Leading Oils attracted a reasonable business ahead of a couple of important trading statements due later in the week, but quotations usually closed a shade easier for choice as interest faded late in the session. British Petroleum settled 4 cheaper at 533p xd and Shell a couple of pence off at 768p; the latter's annual results are due on Thursday. Ultramar, reporting a day earlier, finished 5 dearer at 208p, after 210p. Elsewhere, Tricentrol moved ahead strongly and touched 220p prior to closing a net 18 up at 218p on Press suggestions that Enterprise Oil, unchanged at 202p, after 204p, had acquired a 4 per cent stake in the group as a prelude to a full bid. Britoil firmed 5 to 215p amid rumours of a sizeable U.S. acquisition. Invest Energy moved up 70 to 970p after comment on its Paris Basin interests, while Falcon Resources drew fresh support and rose 23 to 428p.

Details of the agreed merger left Plantations and General, 10 higher at 345p, REA Holdings 8 better at 357p and Anglo Indonesian 4 up at 227p.

Golds subdued

Mining markets again attracted minimal activity. South African Golds put on a steady performance, albeit in thin and sensitive trading, reflecting the trend of both bullion and the Rand against the dollar. The former, totally unaffected by the death of Soviet leader Konstantin Chernenko, closed $0.50 off at $290.75 an ounce.

Gold share prices made modest progress throughout the session despite the marked absence of interest from Johannesburg and the Continent. Among top-quality issues, Randfontein rose ½ to £79½, while St Helena closed a half-point up at £15. More marginal issues closed a shade easier for choice, however, and the FT Gold Mines index firmed only 0.6 to 475.5.

Financials also lacked followers, although "Amgold", at £73¾, recovered most of Friday's fall which followed the preliminary results; brokers de Zoete and Bevan rate the shares as a "buy."

Increased volume in both calls and puts boosted contracts struck in Traded Options to 10,387 — the highest total for over three weeks and well in excess of last week's daily average of 7,059. The FT-SE 100 attracted 659 calls and 516 puts while the short Gilt contract accounted for 193 calls and 195 puts. Elsewhere, trading was dominated by British Telecom which recorded 2,706 calls—737 in the May 130's and 1,075 in the August 140's.

FINANCIAL TIMES STOCK INDICES

	Mar. 11	Mar. 8	Mar. 7	Mar. 6	Mar. 5	Mar. 4	year ago
Government Secs.	80.55	80.50	80.09	80.02	80.15	80.12	83.45
Fixed Interest	83.65	83.90	83.32	83.42	83.55	83.56	87.22
Ordinary	989.2	988.1	987.5	990.4	982.0	979.9	844.1
Gold Mines	475.5	474.9	481.0	467.8	475.2	477.8	697.9
Ord. Div. Yield	4.55	4.55	4.65	4.46	4.49	4.50	4.36
Earnings, Yld.% (full)	11.60	11.26	11.12	11.00	11.27	11.30	9.36
P/E Ratio (net) (*)	10.73	10.80	10.81	11.10	10.58	10.52	12.82
Total bargains (Est.)	28,834	26,546	25,390	54,588	25,006	24,592	24,803
Equity turnover £m.	—	522.61	474.91	433.03	385.64	454.05	336.99
Equity bargains	—	27,470	24,025	21,271	21,273	24,052	21,605
Shares traded (ml)	—	262.2	247.2	123.1	121.5	211.3	146.2

10 am 988.1. 11 am 989.5. Noon 989.7. 1 pm 990.1. 2 pm 989.7. 3 pm 989.5.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.40.

HIGHS AND LOWS — S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	74.79 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (25/7/84)	1024.3 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/6/84)	462.5 (23/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

	Mar. 8	Mar. 7
Daily Gilt Edged Bargains	139.6	128.1
Equities Bargains	172.0	133.5
Value	1055.2	952.6
5 day Average Gilt Edged Bargains	146.1	147.6
Equities Bargains	154.2	155.7
Value	813.2	656.2

FRIDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BP	533xd	− 4
British Telecom	135	+ 5
Brown (Matthew)	290	+22
Dunlop	66	+15
Foster Bros	228	+20
House of Fraser	398	− 4
ICI	813xd	− 9
Lonrho	166	+ 7
Pittard	110	+14
Shell Transport	768	− 2
Stylo	200	+17
Tricentrol	218	+18

Based on bargains recorded in Stock Exchange Official List.

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (140)

BRITISH FUNDS (11)
FOREIGN BONDS (1)
AMERICANS (1)
BANKS (7)
CHEMICALS (2)
STORES (7)
ELECTRICALS (6)
ENGINEERING (17)
FOODS (3)
INDUSTRIALS (29)
INSURANCE (6)
MOTORS (4)
NEWSPAPERS (3)
PAPER (5)
PROPERTY (4)
SHIPPING (2)
SHOES (2)
TEXTILES (1)
TRUSTS (23)

NEW LOWS (18)

BUILDINGS (2)
Barnett Hallamshire, Warrington (Thos)
STORES (1)
Wigfall (H.)
ELECTRICALS (5)
Alphameric, Security Centres, Denmans Electrical, Wordplex, Resource Technology
INDUSTRIALS (3)
CSR, Unigroup, Star Computer
LEISURE (1)
Pineapple Dance
PROPERTY (1)
Markheath Sec
OILS (2)
KCA Drilling, Santos
MINES (3)
Australia Mining, Mincoll Sec, Metana Minerals

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Mon March 11 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri March 8 Index No.	Thur March 7 Index No.	Wed March 6 Index No.	Mon March 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	548.80	+1.2	10.83	3.94	12.46	542.45	541.84	543.10	537.73	492.56
2	Building Materials (23)	492.80	+0.7	12.96	5.09	9.54	488.41	489.57	489.98	482.46	475.40
3	Contracting, Construction (30)	684.37	—	14.43	5.79	8.89	684.17	689.37	689.88	688.31	754.26
4	Electricals (15)	1521.49	+1.2	10.62	4.91	11.92	1503.32	1503.42	1518.55	1511.80	1726.26
5	Electronics (36)	1730.56	+0.6	8.64	2.94	14.97	1720.58	1710.26	1708.69	1695.87	1675.82
6	Mechanical Engineering (60)	296.95	+0.7	11.31	4.36	10.55	295.00	296.53	297.62	295.67	237.48
8	Metals and Metal Forming (8)	187.90	+1.5	12.85	6.91	10.27	185.12	185.79	186.16	185.23	203.28
9	Motors (18)	169.27	+2.4	10.29	4.49	12.25	165.34	163.85	164.29	163.29	134.14
10	Other Industrial Materials (16)	941.36	+3.3	7.08	3.21	17.21	910.96	909.99	917.57	898.94	620.35
21	CONSUMER GROUP (181)	636.65	+0.6	9.19	3.77	13.18	633.16	634.21	632.58	628.95	475.54
22	Brewers and Distillers (23)	565.68	+0.4	11.97	4.73	10.35	563.37	563.89	558.33	554.72	464.41
25	Food Manufacturing (21)	510.83	+0.2	11.38	4.63	10.98	509.90	512.44	510.97	506.91	384.24
26	Food Retailing (13)	1424.80	+0.5	6.68	2.56	19.94	1417.69	1419.25	1418.66	1407.93	1072.09
27	Health and Household Products (9)	1026.59	−1.1	5.68	2.60	20.63	1037.57	1038.79	1031.28	1019.07	715.10
29	Leisure (22)	689.10	+0.1	8.27	4.77	15.88	688.56	693.98	696.50	695.51	644.88
32	Newspapers, Publishing (12)	1737.27	+0.8	6.73	4.30	19.24	1724.05	1728.45	1715.87	1700.63	1254.26
33	Packaging and Paper (14)	315.67	+0.7	12.58	4.60	9.19	313.43	315.14	316.87	309.49	242.60
34	Stores (45)	566.30	+1.6	7.22	3.29	16.79	557.40	559.81	557.17	551.83	421.83
35	Textiles (19)	341.97	+0.8	11.68	4.17	9.89	339.10	340.58	340.01	338.06	274.32

[illegible]

FIXED INTEREST

[illegible]

*Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

*Corrected figures 8/3/1985.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 32,924

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§92	F.P.	—	79	72	✣BTS 10p	75	+2	bg6.4	2.0	6.5	8.7
160	F.P.	6/5	152	131	Berkeley Technology	145	......	bQ6.7c	1.6	4.2	15.2
120	F.P.	1/3	145	118	✣Bluebird Toys 10p	140	......	u5.15	2.3	5.2	12.7
§105	F.P.	15/3	106	96	✣Cons. Tem. Invs.20p	98	......	ud5.0	2.0	7.5	9.2
‖	F.P.	—	127	112	Cullen's Hldgs 10p	112	......	—	—	—	—
100	F.P.	22/3	111	101	German Small Units●	111	+1	—	—	—	—
¶148	F.P.	14/3	180	168	Hillsdown Hldgs. 10p	182xd	......	gd3.5	✣	3.1	✣
§100	F.P.	—	122	117	✣Mayhew Foods 10p	120	......	bg1.95	2.2	2.3	19.6
‖	F.P.	—	325	265	✣Memcom Intl. 10p	325	+15	5.5	4.1	1.7	15.9
§125	F.P.	—	212	190	✣Osborne & Little 5p	196	+3	bg2.0	3.2	1.4	31.4
100	75	1/3	72	70	Pacific Assets Tst.35p	76xa	......	—	—	—	—
—	F.P.	—	41	32	Do. Ser. 1 Warrants	40	−2	—	—	—	—
‡‡	F.P.	—	85	80	P.&O. Warrants	85	......	—	—	—	—
100	F.P.	—	107	100	✣Pepe 10p	101	......	u3.0	2.3	4.2	15.4
‖	F.P.	—	51	27	✣Sangers	53	+6	—	—	—	—
§128	F.P.	11/4	166	142	✣Sims Catering 5p	155	+7	bg3.7	2.1	3.2	19.1
§174	F.P.	1/6	225	200	✣Synapse Comp'r. 5p	220	......	bgd1.5	5.1	1.0	28.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
a1,674	£30	10/4	64¼	87	African Dev. Bank 11⅛% Ln. 2010	33⅝	+⅞
¶¶	F.P.	—	113	108	Beazer (C. H.) 8½% Uns. Ln. 2000	108	......
100	£10	—	12¾	11¾	Bournemouth Wtr. 12¾% Red. Deb. '95	12¾	+¼
§101	£51	15/3	54	50	Felixstowe Dock Prf. Units †	53	+2

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✣ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant. ✣ Figures or report awaited.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 4	Mar 15	June 13	June 24
Mar 16	Mar 29	June 27	July 8
Apr 1	April 19	July 11	July 22

For rate indications see end of Share Information Service

Stocks favoured for the call included Acorn Computer, Falcon Resources, Polly Peck, Highland Electronics, Sound Diffusion, Hestair, Bristol Oil and Minerals, Barratt Developments, Duport, Tricentrol, BBA, Rockware, Great Western Resources, CPU Computer, Ashley Industrial Trust, Epicure, Birmid Qualcast, Davy, Gerrard and National, Charterhall, British Car Auction, Brunswick, Pepe, Reed International, Pentland, President Entertainments, Eglinton Oil and Gas, Lonrho and British Telecom. A put was done in CASE.

ACTIVE STOCKS

Stock	No. of changes	Fri. close	Day's change
Falcon Res.	30	405	−10
BP	27	557	+ 4
ICI	24	840	+ 2
Salincourt	22	22¾	+ 1½
Sound Diffusion	19	102	+ 5
Birmid Qualcast	18	90	—
LCP	18	133	+ 8
H. Robinson	17	286	+ 2
York. Chems.	17	78	+ 1
BSR Int'l.	16	147	− 3
Biommar	15	292	− 4
B. Nallams	16	50	− 5
Fleet Hldgs.	15	278	+ 3
STC†	12	12½pm	+ 6

† Nil-Paid

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	0	2
Corpns. Dom. and Foreign Bonds	33	0	40
Industrials	398	202	843
Fin. and Props.	163	84	320
Oils	33	12	71
Plantations	8	2	8
Mines	34	44	100
Others	43	107	67
Total	813	439	1,449

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*533)	480	118	—	—	2	—	—

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*188)	160	33	41	—	2	6	—
	180	20	28	29	8	9	11
	200	10	17	21	13	21	25
	220	5	11	15	34	32	42
LASMO (*348)	300	63	50	—	4	7	—
	330	33	40	82	12	18	23
	350	23	30	38	30	33	38

[illegible]

Mar. 11. Total contracts 10,387 Calls 5,995 Puts 4,404

* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas. 3pc 1985	97	+	[illegible]	14.02
[illegible]	99	Treas. 11½pc 1985	99	+	[illegible]	12.75
[illegible]	96	Treas. 8½pcCnv '85	98	+	[illegible]	12.65
[illegible]	99	Exch. 12½pc 1985	99	+	[illegible]	12.31
[illegible]	99	Exch. 11½pc '86	99	+	[illegible]	12.07
[illegible]	96	Treas. 10pcCnv 1986	97	+	[illegible]	12.14
[illegible]	[illegible]	Treas. 3pc 1986	94	+	[illegible]	8.35
[illegible]	[illegible]	Exch. 10½pc Cv '86	98	+	[illegible]	12.27
[illegible]	99	Treas. 12pc 1986	99	+	[illegible]	12.10
[illegible]	[illegible]	Treas. 8½pc 1984-86‡‡	96	+	[illegible]	11.71
100	102	Exch. 14pc 1986	103	+	[illegible]	11.87
[illegible]	85	Exch. 2½pc 1986	89	+	[illegible]	9.32
107	100	Exch. 13½pc 1987	102½	+	12	11.68
100¼	94½	Treas. 10½pcCv '87	97	+	10.49	11.61
87¼	83½	Exch. 2½pc 1987	87	+	2.85	9.55
101	94½	Exch. 10½pc 1987	97	+	10.72	11.67
92¾	87	Funding 6½pc '85-87‡‡	91¼	+	7.12	11.21
99¾	92¾	Treas. 10pc 1987	96½	+	10.36	11.77
86¼	81	Treas. 3pc 1987	86	+	3.47	9.54
105	97¼	Treas. 12pc 1987	100	+	11.96	11.80
94¾	87	Treas. 7¾pc 1985-88‡‡	92	+	8.41	11.00
100	92	Exch. 10½pc '88	96	+	10.85	11.75

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June, 1984: 351.9 and for January, 1985: 359.8.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1984-85 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	14½	Amer Medical Int $1	21⅞	–¼	[illegible]	—	2.5
59	20¾	Amer. Nat. Res. $1	57½	–1½	[illegible]	—	2.2
[illegible]	10⅝	American T. & T. $1	20¾	.....	[illegible]	—	5.1
[illegible]	43¼	Ameritech $1	74¾	–1¼	[illegible]	—	7.2
25	15½	Amfac$	24	+¼	[illegible]	—	5.1
4[illegible]	16½	♦AridTech$	41	–¼	—	—	—
[illegible]	10¼	Bankamerica $1.5	18	.....	[illegible]	—	7.6
[illegible]	27½	Bankers N.Y. $10	57	–1½	[illegible]	—	4.2
12	19p	BASIX Corp.	11	.....	[illegible]	—	0.9
[illegible]	46	Bell Atlantic $1	77	.....	[illegible]	—	7.4
[illegible]	19½	Bethlehem $1	33	.....	[illegible]	—	6.9
[illegible]	12	♦Beth Steel $8	14	–½	[illegible]	—	2.4
2[illegible]	11¾	Bowater Inc.	39¾	–1⅛	[illegible]	—	3.3
40¾	19⅝	Brown'g-Fer. 16⅔c	40	.....	$1.08	—	2.4
37¾	16¾	Brunswick Corpn.$	36	–½	$1.00	—	2.5
875p	405p	♦Business Computer	470p	.....	—	—	—
39¾	24¼	CPC Intnl. 25c	39¾	–¼	$2.20	—	3.0
23	14¼	CSX Corp U.S.$1.00	23⅝	–⅛	$1.04	—	4.0
16¾	10⅜	CalFed Inc $1.00	15¼	.....	32c	—	1.9
64¾	39¾	Campbell Soup 60c	64¼	+¼	$2.50	—	3.5
36¼	24¼	Caterpillar Tractor$	29¼	+¼	50c	—	1.5
12¼	643p	Ceneray Corp. 25c	821p	–26	1c	—	—
52¼	27¼	Chase M'hin $12.5	47¼	–1¼	$3.65	—	6.9
38¼	17¼	Chemical New York	36	.....	$2.36	—	5.8
34½	27¾	Chesebrough-Pond's $1	30¾	–⅞	$2.92	—	5.6
31¾	15¼	Chrysler $6¼	30½	–⅞	$1.00	—	3.0
42¾	19⅞	Citicorp $4	38	.....	[illegible]	—	4.8
23½	14⅝	Colgate-P. $1	21½	–⅞	[illegible]	—	5.4
57¾	35¾	Colt Inds. $1	55	–1¼	[illegible]	—	4.1
34¾	17	Cons. Foods $1⅓	33	–¼	[illegible]	—	3.5
155p	43½	Cont. Illinois Hldgs $1	104p	.....	—	—	—
275p	100p	♦Corporate Data Scnce.	287p	.....	—	—	—
35¾	20⅛	Crown Zell. $5	34	–1¼	[illegible]	—	2.6
29¾	9¼	Cullinet Sftwr $0.1	26¾	–⅞	—	—	—
711p	321p	Damson Oil 40c	459p	.....	—	—	—
28¾	15⅛	Dana Corp. $1	27	–¼	[illegible]	—	4.2
67	27⅜	Data General	46	–2⅞	—	—	—
118p	46p	♦Derma-Lock Medicl	47	–1½	—	—	—
67	54⅞	Dun & Bradstreet $1	65	–1⅞	[illegible]	—	2.7
55½	27¾	Eaton Corpn. 50c	51	–1¼	[illegible]	—	2.1
46¾	24½	♦Exxon$	44	–1¼	[illegible]	—	6.9
20¾	19	FPL Group $0.01	19	.....	[illegible]	—	0.6
17¼	331p	Fin. Corpn. Amer. 50c	613p	+60	[illegible]	—	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
280	210	Young Brew 'A' 50p	210	.....	†5.5	2.0	3.7	18.7
180	120	Do. Non. V. 50p	130	.....	†5.5	2.0	6.0	11.6

BUILDING, TIMBER, ROADS

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
361	186	AMEC 50p	244	.....	†10.0	2.4	5.9	9.3
202	157	Aberdeen Const.	182	–2	†6.5	2.7	5.1	9.4
210	164	♦Access Satellite 5p	206	.....	u2.0	2.4	1.4	40.4
51	15	Allied Plant 5p	21	.....	8	—	—	—
35	22	♦Amco Ind Hldgs.	22	.....	—	—	—	—
77	36	Arncliffe 10p	36	.....	‡2.66	2.1	‡	5.1
*111	81	Attwoods	108	.....	3.5	1.8	4.6	18.9
337	232	BPB Inds. 50p	290	+5	†7.8	3.3	4.1	2.6
260	124	Baggeridge Brick	260	.....	6.25	3.7	3.4	11.2
45	27	Bailey (Ben) 10p	28	.....	1.8	2.9	9.2	5.1
82	20	Baldwin (H. J.) 10p	40	.....	—	—	—	15.7
186	68	Barratt Dev. 10p	70	.....	7.62	1.7	15.6	4.6
162	115	Bellway	116	–1	7.0	2.0	8.6	7.7
77	55	Benford M. 10p	66	–1	3.75	1.2	8.1	15.0
166	96	[illegible] Group	165	.....	u3.6	2.6	5.1	17.6
63	45	[illegible] Bros. 20p	59	–2	3.1	♦	7.5	♦
*406	349	[illegible] 20p	540	.....	21.0	2.5	5.6	13.8
528	355	Blue Circle £1	515	+3	19.0	2.9	5.1	7.4
216	184	[illegible] Lime	206	–2	8.4	3.5	5.8	18.5
69	46	[illegible] Bailey 10p	65	.....	3.2	1.7	7.0	11.8
166	66	[illegible] & EA	130	.....	†3.0	4.8	3.3	7.6
80	47	[illegible] Dredging	77	.....	2.0	2.7	3.7	13.2
24	15	[illegible] Jackson 20p	17	.....	8	—	—	4.1
71	57	[illegible]	70	.....	†3.5	5.1	7.1	6.4
77	50	[illegible] Hldgs.	70	.....	3.0	2.9	6.1	7.5
205	45	[illegible] & Hallam	58	.....	2.75	0.8	25.0	7.5
56	50	Caledonia Hly. & 10p	56	.....	3.0	2.3	7.7	7.7
92	50	Carr (John)	52	.....	1.45	4.5	4.0	7.9
68	47	Cement-Roadstone	67	+½	u[illegible]	♦	5.4	♦
64	40	Condor Group	64	.....	20.75	—	1.7	—
58	23	Coppon (F.) 5p	27	+1	1.5	2.0	7.9	7.8

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
54	35	♦Kent (John) 5p	48	.....	g1.23	♦	3.7	♦
54	22	Ladies Pride 20p	23	+1	1.5	♦	9.3	♦
148	100	Lee Cooper	125	+2	3.68	5.1	4.2	5.0
470	148	Liberty	470	.....	†4.5	2.4	0.9	43.7
260	97	Do. Non Vtg.	260	.....	†4.5	2.4	1.6	24.2
£37⅞	£22½	Limited Inc $0.50	£34⅝	–1⅛	Q24c	—	0.6	—
167	63	Lincroft Kilgour 10p	167	.....	5.5	2.5	4.7	9.0
275	130	MFI Furniture 10p	225	+3	†4.6	2.8	2.9	17.8
140	99	Marks & Spencer	140	+5	†3.13	2.0	5.2	21.9
248	153	Menzies (J.)	220	.....	†3.0	4.9	1.9	14.1
143	116	Milletts Leis. 20p	116	.....	d6.95	0.7	8.6	31.0
124	70	NSS News 10p	102	.....	3.3	2.9	4.6	10.7
365	260	Oliver (G.) "A"	335	.....	†7.0	3.5	3.0	11.0
378	215	Owr Price 20p	363	.....	h3.0	4.0	1.2	27.6
188	128	Owen Owen	180	.....	3.3	2.4	2.6	19.6
98	70	Peters Stores 10p	70	.....	2.0	—	4.1	—
143	71	Preedy (Alfred)	110	.....	†3.5	2.1	4.5	(12.1)
30½	21½	Ramar Textls. 5p	23½	.....	1.5	2.2	10.0	(5.3)
62	40	Ratners 10p	60	+3	2.3	0.7	5.1	40.8
48	22	Raybeck 10p	24	+1	‡q0.67	4.4	‡	(8.3)
262	130	♦Rayford Supreme	158	+3	4.9	2.4	4.4	12.7
113	84	Reed Austin 'A' N/V	105	–2	h3.0	2.1	4.1	8.0
25	18	S&U Stores 12½p	20	–1	—	—	—	—
39	29	Do. 31½pcPf. 12½p	37	.....	3.94	—	15.2	—
128	185	Samuel (H.)	128	.....	†4.17	1.0	4.8	29.9
95	60½	Do. 'A'	78	.....	h4.17	1.0	7.6	19.8
96½	67	Sears Hldgs.	84	.....	†2.5	2.6	4.3	11.9
25½	10½	Selincourt 5p	23½	+¼	0.03	32.9	0.2	—
231	184	♦Share Drug 10p	205	.....	u0.7	3.0	1.2	34.7
230	148	Simpson (S.) "A"	220	.....	4.75	3.2	3.2	(12.8)
222	118	Smith (W. H.) A 50p	208	+8	†q4.2	3.1	3.0	15.3
50	34	Stanley (A. G.) 5p	46	.....	d1.5	1.4	4.7	(20.1)
173	89	Stead. & Sim 'A'	155	.....	f6.0	1.6	3.5	16.6
147	58	Steinberg 10p	67	–1	2.2	4.0	4.7	3.1
76	49	Stirling Group 20p	74	.....	†h0.72	8.0	1.4	13.6
190	40	Stearnie 20p	44	.....	—	—	—	—

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

For Christy Bros see Christy Hunt

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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MINES—Continued

75	31	Anglo Utd. Dev.	47	+1	—	—	—
410	155	Centennial Min'ls.	156	.....	—	—	—
175	70	Colby Res Corp.	90	.....	—	—	—
955	450	Cons. Murch. 10c	450	.....	†Q100c	1.4	10.8
40	25	Ennex Int. Ir10p	37	-1	—	—	—
252	150	Hampton Areas 10p	192	.....	3.75	2.1	2.6
260	140	Highwood Res.	240	-10	—	—	—
£24½	£16	Homestake Mining $1	£20⅝	-⅞	Q20c	—	0.9
295	135	McFinley Red Lake	270	.....	—	—	—
260	101	Muston Explorations	250	-10	—	—	—
55	23	New Sabina Res C$1	35	+2	—	—	—
365	220	Northgate C$1	320	+10	—	—	—
718	500	RTZ	647	+3	718.0	2.7	4.0
£165½	£113½	Do 9½pcLn '95-2000	£142½	.....	Q9½%	35.4	16.7
£13⅝	850	Tara Expln $1	£12½	-⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98	.....	Arnott	168	.....
Craig & Rose £1	£10	.....	CPI Hldgs	57	.....
Finlay Pkg. 5p	58	.....	Carrol Inds.	110	.....
Higsons Brew	118	.....	Dublin Gas	60	.....
Holt (Jos) 25p	800	.....	Hall (R. & H.)	45	.....
IoM Stm. £1	125	-2	Heiton Hldgs.	17	.....
IRISH			Irish Ropes	40	.....
Exch. 12% 1985	£99½	.....	Jacob (W.& R.)	65	.....
Nat. 9¾% 84/89	£85⅝	.....	TMG	118	.....
Fin. 13% 97/02	£92¼	+2	Unidare	77½xd	.....

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	26	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	18
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	10	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min.	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	38	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk.	48	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord.	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met.	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

AUTHORISED UNIT TRUSTS

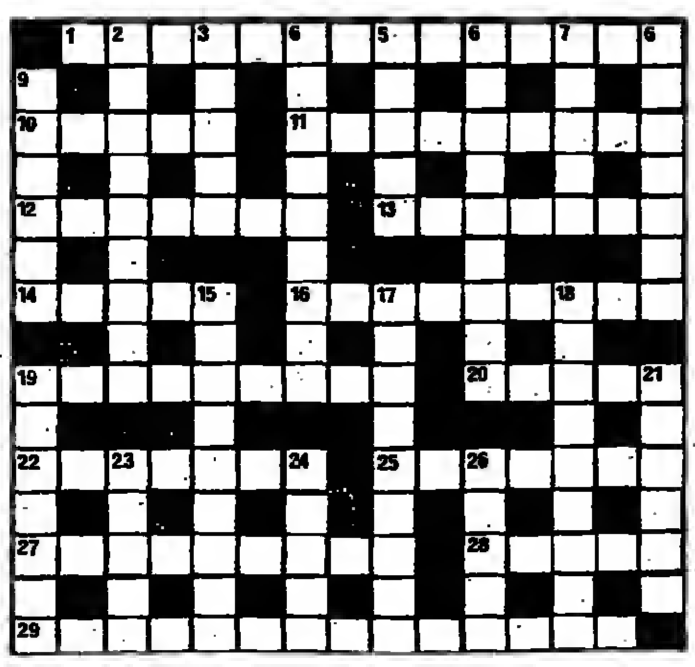
FT UNIT TRUST INFORMATION SERVICE

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2 01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-675 6666

UK Specialist Funds				
Growth Gilt Trust	51.7	52.5xd	...	0.73
Recovery	76.1	81.2	+1.5	2.91
Smaller Cos	109.6	116.9xd	+0.5	1.30
Spec. Mkt. Sits.	74.7	79.7	+1.1	1.32
UK Growth (Domestic)	31.5	33.6	+0.2	3.13
High Income Funds				
Extra Inc.	48.4	52.1xd	+0.3	8.21
Gilt	25.3	26.6	+0.2	9.93
Inc & Growth	150.4	160.4	+0.9	4.74
Nat. High Inc.	144.7	154.3	+1.1	6.02
Pref. Shares	16.9	18.0xd	...	11.47

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,666



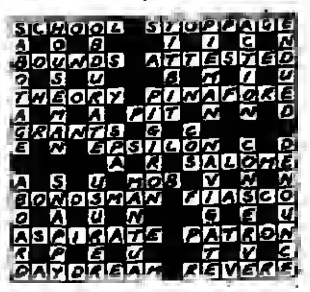
ACROSS

1 Adrian is in clip from "The Martinet" (14)
10 You can pop in his shop! (5)
11 Observer Magazine (9)
12 Set off and 'phoned in from *elsewhere* (7)
13 Last night he tore round to that place (7)
14 The customers brought back some "Devon Water," sweetheart (5)
16 Stir in tar mixture, which may make your skin itch (9)
19 Liked better after piano is handed over (9)
20 Lifts mine in (5)
22 Ron's new servant admitted they come *from* France (7)
25 Hire man in charge of horse-drawn vehicle to bring hogshead in (7)
27 Din made by vicar, hair arranging (9)
28 *Noted* girl tumbler (5)
29 Forgetfully blamed Ned's tiny cook (14)

DOWN

2 At home, and in trouble, Brown returns to human form (9)
3 In prison the French are habitually neat (5)
4 Following with a placard about port (9)
5 Unfit to take Lady Swan back in it (5)
6 That nice new union leader admitted it's genuine (9)
7 After first half mile finds the fibre (5)
8 Apprehensive of taking over again in "The Rising Sun" (7)
9 When dismissed, decline to start (6)
15 Height of the Spanish girl getting into trouble (9)
17 On it, crude variety is a bit off! (9)
18 Drop thing round before dusk (9)
19 Severely criticise excellent first aid remedy (7)
21 Emphasise "the music centre needs a lock" (6)
23 Studies the note in "Things People Pot" (5)
24 Wars destroyed male workers en masse (5)
26 Article with broken leg on the corner (5)

Solution to Puzzle No. 5,665



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INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14.34	14.76	6-mth	Call
7-day Fnd	14.22	14.65	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.93	14.40	6-mth	Call
7-day Fund	14.04	14.53	6-mth	7-day
Money Mngt. Acct.	13.62	14.33	3-mth	Call
Dollar	7.12	7.24	6-mth	2-day

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	13.75	14.48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.40	14.25	Mth	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-558 2777				
Cater Allen	13.50	14.37	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.50	14.20	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.25	14.09	Mth	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
Notice Dep	13.25	13.68	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.50	14.40	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.38	14.06	Qtr	Call
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mth	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.97	14.73	Qtr	Call
Money Acc	13.75	14.47	Qtr	Chq7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.65	1.58	Mth	Call
Over £10,000	13.90	14.82	Mth	Call

Notes: CAR = compounded annual rate. Int Cr = frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. * Guernsey gross & Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

Ministers agree to limit EEC farm grants

By Andrew Gowers and Quentin Peel in Brussels

EEC FINANCE ministers yesterday agreed to try to curb some of its farm spending by limiting a five year programme of structural subsidies for community farmers to 5.25bn European currency units (£3.15bn).

The move amounts to a 10 per cent cut in the spending proposed by the Commission for the agricultural structure fund, which provides direct cash grants to farmers in addition to the EEC price support system.

However, the deal, which has been under discussion for over a year, was only agreed on the understanding that it does not prejudice negotiations to set up additional spending programmes for poorer Mediterranean regions of the community. Even with such a proviso, the decision was not unanimous, with Greece and Ireland seeking more cash.

It is now up to farm ministers to decide on the distribution of the Ecu 5.25bn for 1985 to 1989. This compares with Ecu 3.9bn for the last programme.

Meanwhile, community farm ministers staked out initial positions over this year's agricultural prices package, with British and West German ministers sticking firmly to radically different lines on cereal prices.

Herr Ignaz Kiechle, of West Germany, told the meeting he had no intention of agreeing an overall price cut and called tentatively for a cereal price rise.

He also proposed the community should reverse its commitment to cut milk quotas by a further one per cent in April.

But Mr Michael Jopling, the British minister, repeated his view that grain prices should be cut by the full five per cent automatically triggered by last year's record harvest, and that a three year price freeze should follow. The Commission has proposed a 3.6 per cent cut.

Aluminium prices tumble on surprise rise in stocks

BY JOHN EDWARDS, COMMODITIES EDITOR

ALUMINIUM prices fell sharply on the London Metal Exchange yesterday following news of an unexpected increase in western world stocks during January.

Market forecasts that extensive production cuts in aluminium output last year would reduce stocks by between 50,000 to 100,000 tonnes proved "wildly wrong," as one trader put it. Instead they rose by over 30,000 tonnes.

The International Primary Aluminium Institute estimated non-Communist world stocks of all forms of aluminium, including scrap, increased to 4.422m tonnes by the end of January, compared with 4.392m at end-December and 3.734m in January 1984.

Within that total, primary aluminium stocks rose in January to 2.629m tonnes against 2.594m in December and 2.05m in January last year.

The main rise in stocks during Janary this year was in Oceania (Pacific basin countries) and Latin America. A further increase in North American stocks, in spite of the production cuts there, offset to a large extent a reduction in European holdings.

The rise in world stocks overshadowed the decline in LME warehouse holdings of aluminium and the market came under further pressure from the stronger trend in the value of sterling, forcing London prices down more than dollar quotations. Three months aluminium closed £36.25 down at £1,038.5 a tonne after reaching a high of £1,078 in early trading.

The stronger pound was the main influence depressing other base metal markets. Copper lost ground in spite of another hefty decline in stocks pushing LME warehouse holdings below 100,000 tonnes for the first time since October 1974.

The increase in zinc stocks was mainly in high grade zinc and therefore had a relatively small impact on the standard grade contract. However, prices were hit by the rise in sterling, which also brought a downturn in the nickel market.

Losses in tin were limited by support buying on behalf of the International Tin Council buffer stocks.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(changes during week ending March 8) (tonnes)

Aluminium	−4,950 to 123,350
Copper	−5,300 to 99,475
Lead	+750 to 50,225
Nickel	−384 to 5,580
Tin	−105 to 21,750
Zinc	+1,025 to 34,225
(ounces)	
Silver	53,890,000 (unchanged)

Bangladesh lifts curbs on jute exports

By Our Commodities Editor

BANGLADESH has decided to relax restrictions on raw jute exports imposed last October. The curbs followed a poor crop and fears of a shortage of supplies for local mills.

With the new crop due to be harvested in July, and the need to plan shipments at least three months ahead, it has been decided to resume registration of export sales.

However, only shippers who have already fulfilled at least half their 1984-85 delivery contract commitments will be able to apply for registrations.

London traders do not expect the move to have much impact on prices, since a world shortage of jute will remain.

● INDIA has cut its minimum tea export prices in recognition of the recent decline in world prices.

The Commerce Ministry said yesterday the new minimum for both South and North Indian types was 31 rupees a kilo for tea sold at auctions and 31.5 rupees for supplies sold direct from estates.

The old prices, set on October 16, were Rs35 (auction) and Rs36 (direct) for North Indian tea and Rs 33 and Rs 34 respectively for South Indian. Since then international prices had fallen Rs4 to Rs5 a kilo, a ministry official said.

At yesterday's weekly auction in London, tea prices continued their recent decline, though the Teabrokers Association said demand was fairly good for the 41,843 packages on offer.

The average price for quality tea was 290p a kilo (nominal), unchanged from last week. Medium grade was 4p cheaper at 246p a kilo while low medium was 4p down at 194p a kilo.

Some Assam offerings were withdrawn from an irregular but generally lower market, the association said.

Africans were well supported but prices were often 4p to 8p a kilo easier.

Better Ceylons sold well and were dearer in some cases, but plainer types were 5p to 8p a kilo down.

Farmers' viewpoint: by John Cherrington

New Zealand's prized pests

I HAVE JUST been driving through country where more than 50 years ago I was on a deer stalking expedition. Then it was mostly forest and scrub, the few tracks overgrown and hard to follow. It has now been cleared, has good roads, and is heavily stocked with sheep and cattle.

In those days deer were everywhere. They devoured the improved pastures and there was a price on their heads, or rather tails, of two shillings. The deer, like every other live import the early settlers brought in, flourished in the New Zealand environment and some made a living hunting them for the bounty and the skins. A dozen years ago, however, these feral deer ceased to be seen as a nuisance, and began to be regarded as an asset.

Someone had noticed that Koreans used the powdered residnes of deer velvet as a health product. Velvet is the first growth when the stag renews its antlers annually. It forms the rough shape of the eventual antler and after a few weeks hardens into horn.

The crucial collection time is while it is still growing and the blood supply, which is said to contain hormones, present. I have seen no evidence of the popular belief that the velvet is an aphrodisiac, but the Koreans use it as a general tonic. Those I have met who have tried various concoctions made from velvet claim it has done nothing for them. Perhaps it is all in the mind.

Whatever the truth, deer farming has become big business here. The first to benefit were helicopter hunters who captured wild deer with narcotic darts and delivered them to farmers. The animals seem to be easily domesticated. They did well in the same pastures as sheep or cattle, and also reproduced well.

The pioneers flourished, although at first they were ridiculed by more orthodox farmers. But their prosperity is based not on the sale of velvet but on sales of breeding stock. Now that sheep are in decline here, everyone wants to diversify. But exporting velvet is not easy, as both China and Russia are competing for the market. Venison too is exported, but the most promising sales are of live animals. There must be an insatiable demand, because during my travels here I have seen more empty deer paddocks than stocked ones.

Another New Zealand nuisance which is being turned into an asset is the common-or-garden goat. In the past goats were turned out to kill off blackberry bushes originally brought in by homesick settlers and which had taken over great tracts of country. It is true that goats will eat blackberries, but unfortunately they eat everything else as well. In some areas they ruined great stretches of country. Thousands were shot every year to keep them under control.

But now they are keenly sought for two purposes, mohair and cashmere. Mohair comes from the Angora breed, originating in Asia, and I have seen large flocks in Texas. There are a few pure bred Angoras in New Zealand, largely in the hands of hobby farmers.

Using modern techniques of embryo transfers, more and more pure-bred Angora goats can be produced by implanting in feral goats. Also, pure Angoras can be crossed with feral goats by artificial insemination. After five generations almost pure Angoras are produced.

Once worth almost nothing, feral goats now fetch about NZ$200 a head and are keenly sought, not only for breeding but for export to Australia. There they are used to produce cashmere, the soft underwool of the main fleece. New Zealand is the only country from which Australia will import goats because of disease restrictions.

The goat boom is only in its early stages, and like the deer boom is still feeding on its own expansion. Only time will tell how well founded these new industries are.

Soft commodity trading falls

By Richard Mooney

TURNOVER ON London's soft (non-metal) commodity markets last month was 23.5 per cent down from February 1984.

Figures published by the International Commodities Clearing House (ICCH) show turnover at 276,347 lots, down from 343,885 last February.

That figure was inflated somewhat because there were 21 trading days against 20 this February, but the ICCH figure does not include 33,000 lots traded in the sterling raw sugar contract and 2,087 lots in the sterling soyabean meal contract, both of which have since ceased trading.

Cocoa remained the most heavily traded contract at 103,623 lots but this was well down from the February 1984 figure of 148,269 lots. An even bigger proportionate fall was seen in the potatos futures contract, with trading of only 9,855 lots against 22,209 a year earlier.

Report on U.S. farm debt crisis contradicts Reagan

BY NANCY DUNNE IN WASHINGTON

MORE THAN eight per cent of American farmers are in serious financial difficulty, according to a report yesterday from the Economic Research Service of the U.S. Department of Agriculture.

The report directly contradicts President Reagan, who last week vetoed emergency farm credit legislation saying: "The truth of the matter is, in need of immediate help are less than 4 per cent, or around 4 per cent at best, of all the farmers in the U.S."

Farms with sales of $50,000 to $500,000 annually, the "mainstream of family-sized commercial agriculture," are those in worst trouble, the report says.

An estimated 30,000 farms are now technically insolvent, having debt/asset ratios of more than 100 per cent. These owe 6.5 per cent of all farm debt.

Another 34,000, owing 7.5 per cent of all debt, have debt/asset ratios between 70 and 100 per cent and "are rapidly moving toward insolvency."

About 114,000 farmers are highly leveraged, and face serious financial problems. These owe 22 per cent of total farm debt.

More than one-quarter of the 679,000 middle-size farms were found to face some degree of financial stress—from needing to extend loans to technical insolvency.

Legislation to help these farmers and their bankers, many of whom are also facing disaster, sped through Congress and landed on the President's desk last week. The President vetoed the Bill, saying it was a "budget-busting bail-out," and the Democrats who pushed it say they cannot secure enough votes to override the veto.

Indian diamond boycott dropped

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S diamond merchants decided yesterday to lift a boycott of rough diamond imports imposed a week ago in protest at tax raids.

The move follows talks with Ministry of Commerce officials at which a compromise over the tax raids was reached.

A spokesman for the merchants said last night they had reached "quite a lot of understanding" with the ministry. Tax inspectors would now accept forms of documentation when conducting raids. This would mean that diamonds being held temporarily by a dealer for inspection would not be seized.

The traders will apply today to the iamDond Trading Corporation of London, the marketing arm of De Beers Consolidated Mines of South Africa, for immediate provision of the "sight," due last week, of $25m to $35m of diamonds. They will buy these on April 1.

The merchants have been raided 30 times in the past six months as India steps up its campaign against corruption and the black economy. Diamonds worth $4m to $5m have been seized and about $1m were being held until last week.

The release in the past few days of those diamonds, plus the talks last Friday, have eased a potential crisis. The merchants first cancelled their February sight and then threatened similar action against the current sight in order to put pressure on the Government.

They import all their diamonds which they cut and polish and then re-export. About $1bn is exported a year, making India the largest cutter and polisher of rough diamonds in the world, and providing much foreign exchange.

LONDON MARKETS

IMPROVED HOPES for a successful outcome to talks in Geneva on a new International Cocoa Agreement helped lift prices on the London futures market yesterday. May delivery cocoa ended at £2,120 a tonne, up £28.50 from Friday's close, in spite of the relative strength of sterling against the dollar.

At the Geneva talks, due to end last Friday but extended for one week, the conference chairman yesterday proposed that prices should be stabilised around a mid-point of 115 cents a lb, about half way between the 135 cents mid-point called for by producing countries and the 100 cents level proposed by consumers. Delegates thought a compromise somewhere between 105 cents and the chairman's suggestion might be possible this week.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1283.4-	−7.25	1278-80	−10.5
3 months	1300-1	−6	1295-7	−9
Settlem't	1284	−7	—	—
Cathodes				
Cash	1273-5	−10	1269-71	−9.5
3 months	1282.4	−11	1258-60	−10.5

ALUMINIUM

NICKEL

TIN

LEAD

ZINC

GOLD

SILVER

INDICES

OIL

GRAINS

COCOA

COFFEE

PIGMEAT

POTATOES

COTTON

SUGAR

RUBBER

SOYABEAN MEAL

U.S. MARKETS

HEATING OIL was moderately lower mostly on the seasonal decline of demand, reports Heinold Commodities. Copper opened strong on currency factors but traded slightly lower on the close on trade and dealer sales. Aluminium declined sharply as overseas liquidation triggered trade selling. Silver lost ground as market fundamentals, i.e. supply/demand relationships, indicated a build-up in stocks as usage lagged last year. Gold opened strong but lost most of the gains going into the close on local and professional selling. Cotton weakened as recent rumours of Soviet purchases could not be confirmed and arbitrageurs withdrew from active trading. Sugar traded mixed with light support from an oversold position in the nearby positions and active arbitrage buying. Grains and soyabeans moved moderately higher on higher currencies and local and professional support. Soya oil continued strong on relatively tight supplies.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	49.70	49.25	49.25	49.55
April	49.00	—	—	50.30
May	59.45	50.05	49.40	50.75
July	50.30	50.85	50.00	51.00
Sept	51.15	51.55	51.55	52.45
Dec	52.40	—	—	[illegible]

CHICAGO

OTHER MARKETS

JUTE

WOOL FUTURES

MEAT

PARIS

ROTTERDAM

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Confidence in dollar wanes

The dollar weakened quite sharply on the foreign exchanges yesterday, without any obvious move by central banks. Sentiment moved against the dollar as dealers reassessed the prospects for the U.S. economy and interest rate trends. It is expected that U.S. industrial production figures, due for publication Friday, will show a decline and forecasts for next week's first quarter flash gross national product figure have been revised downwards. A slight easing of the Federal funds rate in New York also followed suggestions that the Federal Reserve will not tighten monetary policy, while the general interest rate picture was confused by speculation about a possible rise in German rates at this week's regular Bundesbank council meeting. News from Moscow about the Soviet leadership, following the death of President Chernenko, had no impact on the exchanges.

The dollar opened weak, before stabilising around DM 3.36, but then falling again in the afternoon to close at DM 3.3385 compared with DM 3.4125 on Friday. It also fell to FFr 10.2050 from FFr 10.37; SwFr 2.8470 from SwFr 2.90; and Y259.15 from Y261.60.

On Bank of England figures the dollar's index fell to 153.8 from 155.4.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index rose 0.5 to 71.6, the highest point of the day, after opening at 71.2. Six months ago the index was 77.9.

Sterling benefited from the weaker dollar and from a firmer tone to oil prices. Lower rates on the London money market led to speculation about lower bank base rates, but a cut is still regarded as unlikely given the pound's vulnerability to oil price movements. Today's UK money supply figures may give further guidance, but any thoughts about lower rates had little impact yesterday, as the pound rose 2.25 cents to $1.0885-1.0895, closing virtually at the day's peak. Sterling also improved to DM 3.6375 from DM 3.6275; FFr 11.1475 from FFr 11.06; SwFr 3.1025 from SwFr 3.08; and Y282.25 from Y278.75.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 118.6 against 121.8 six months ago.

The D-mark improved against the dollar in fairly active Frankfurt trading. The U.S. currency fell to DM 3.35 from DM 3.3955, following a favourable reaction to elections held in West Germany at the weekend, and changing prospects for both U.S. and German interest rates. Speculation that U.S. rates will not rise, while Frankfurt call money has recently traded above the current Lombard rate of 6 per cent, helped support the D-mark. Dealers were also concerned that U.S. economic growth may be slowing, coming more into line with the anticipated growth rate of 2½ per cent for West German gross national product in 1985. The Bundesbank was not seen on the open market yesterday, and did not intervene when the dollar was fixed at DM 3.3620, compared with DM 3.4200 on Friday.

STERLING EXCHANGE RATE INDEX (Bank of England)

	March 11	Previous
8.30 am	71.2	70.9
9.00 am	71.3	70.9
10.00 am	71.4	70.9
11.00 am	71.4	71.0
Noon	71.4	71.0
1.00 pm	71.4	71.0
2.00 pm	71.4	71.1
3.00 pm	71.4	71.2
4.00 pm	71.6	71.1

New York rates

	March 11	Prev. close
£ Spot	$1.0857-1.0867	$1.0715-1.0739
1 month	0.49-0.47pm	0.46-0.44pm
3 months	1.04-1.00pm	1.06-1.03pm
12 months	1.30-1.15pm	1.40-1.32pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.7259	−0.39	+0.27	±1.5522
Danish Krone	8.14104	7.94735	−2.38	−1.73	±1.6419
German D-Mark	2.24184	2.22441	−0.78	−0.13	±1.1476
French Franc	6.87456	6.79872	−1.09	−0.44	±1.3689
Dutch Guilder	2.52595	2.51678	−0.36	+0.29	±1.5171
Irish Punt	0.72569	0.714373	−1.56	−0.91	±1.6703
Italian Lira	1403.49	1387.03	−1.17	−1.17	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

March 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0705-1.0900	1.0885-1.0895	0.50-0.47c pm	5.34	1.02-0.97 pm	3.65
Canada	1.4980-1.5145	1.5075-1.5125	0.43-0.35c pm	3.10	0.69-0.59 pm	1.66
Nethlnd.	4.0990-4.12	4.11-4.12	2½-2¼c pm	6.74	5⅞-5½ pm	5.53
Belgium	72.80-73.17	73.05-73.15	24-19c pm	3.53	49-40 pm	2.44
Denmark	12.951-13.033	12.98-12.99	2⅞-1⅞om pm	2.19	6¾-5½ pm	1.89
Ireland	1.1628-1.1686	1.1660-1.1670	0.04p pm-0.13dis	−0.46	.02pm-.43dis	−0.70
W. Ger.	3.62-3.64¼	3.63¾-3.64¾	2¾-2⅝pf pm	8.25	6⅞-6⅝ pm	6.67
Portugal	199½-202½	200½-202½	120-460c dis	−16.97	440-1310dis	−17.37
Spain	200¾-201¾	201-201½	20c pm-par	0.60	—	—
Italy	2257½-2275	2273-2275	par-3lire dis	−0.79	7-12 dis	−1.67
Norway	10.36-10.48	10.44-10.45	1½-¾ore pm	1.29	2-1 pm	0.57
France	11.06¾-11.15¾	11.14¾-11.15¾	3½-2⅞c pm	3.43	5⅞-4⅞ pm	1.93
Sweden	10.27-10.39¾	10.36-10.37	1½-1¼ore pm	1.52	pm-½ dis	−0.17
Japan	279¾-282¾	281¾-282¾	2-1¾y pm	7.97	4¾-4½ pm	6.55
Austria	25.25-25.60	25.45-25.55	17⅝-16¾gro pm	7.88	42¾-39¾ pm	6.46
Switz.	3.08¾-3.10¾	3.09¾-3.10¾	2½-2¼c pm	9.19	5⅞-5½ pm	7.33

Belgian rate is for convertible francs. Financial franc 73.80-73.90. Six-month forward dollar 1.23-1.18c pm. 12-month 1.25-1.10c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0705-1.0900	1.0885-1.0895	0.50-0.47c pm	5.34	1.02-0.97 pm	3.65
Ireland†	0.9195-0.9345	0.9325-0.9345	0.50-0.40c pm	5.83	1.16-0.86pm	4.37
Canada	1.3800-1.3932	1.3900-1.3920	0.24-0.27c dis	−2.20	0.72-0.77dis	−2.14
Nethlnd.	3.7760-3.8300	3.7765-3.7775	0.54-0.51c pm	1.68	1.83-1.79 pm	1.91
Belgium	67.05-68.10	67.25-67.35	9½-10½c dis	−1.78	25-27 dis	−1.54
Denmark	11.92½-12.10½	11.82½-11.93	3-3½ore dis	−9.25	4¾-5¼ dis	−1.67
W. Ger.	3.3325-3.3870	3.3380-3.3390	0.82-0.78pf pm	2.88	2.52-2.47pm	2.97
Portugal	184½-187½	184½-189	200-500c dis	−12.52	600-1400dis	−21.45
Spain	184.70-187.02	185.60-185.70	70-80c dis	−4.84	165-190 dis	−3.82
Italy	2087-2113½	2087-2088	9½-10lire dis	−5.58	28-29¾ dis	−5.41
Norway	9.58¾-9.66¾	9.60¾-9.60¾	3½-4ore dis	−4.69	8¾-8¾ dis	−3.54
France	10.20-10.34½	10.20¾-10.20¾	1.75-1.85c dis	−2.10	4.70-5.00dis	−1.89
Sweden	9.52¾-9.61½	9.53-9.53½	3½-4r dis	−4.72	9¾-10¼ dis	−4.19
Japan	259.00-260.45	259.10-259.20	0.56-0.52y pm	2.49	1.88-1.83 pm	9.86
Austria	23.44-23.79	23.44-23.49	5-4½gr pm	2.42	15-13 pm	2.37
Switz.	2.8430-2.8520	2.8465-2.8475	0.88-0.82c pm	3.57	2.56-2.50 pm	3.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 67.75-67.85.

OTHER CURRENCIES

Mar. 11	£	$		£ Note Rates
Argentina Peso	311.78-312.33	287.74-287.99	Austria	25.55-25.60
Australia Dollar	1.5400-1.5440	1.4230-1.4260	Belgium	73.15-73.95
Brazil Cruzeiro	4,351-4,356	3,997-4,017	Denmark	12.89-13.01
Finland Markka	7.5250-7.5460	6.9640-6.9660	France	11.01-11.13
Greek Drachma	151.67-154.73	140.32-143.67	Germany	3.61-3.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Mar. 11	Bank of England Index	Morgan Guaranty Change %
Sterling	71.3	−18.0
U.S. dollar	153.8	+38.1
Canadian dollar	88.4	−6.9
Austrian schilling	106.6	+2.6
Belgian franc	87.5	−10.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.886275	0.319320
U.S. $	8	0.936299	0.662284
Canadian $	11.27	*	0.922809
Austria Sch.	4½	22.6093	15.3285
Belgian Fr.	11	64.5868	44.7299
Danish Kr.	7	11.4946	7.94735
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for March 8: 1.33120.

EXCHANGE CROSS RATES

Mar. 11	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 day's notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	12⅞-19⅛	9⅞-9⅞	11⅞-19⅛	7⅜-7½	5¾-5⅞	[illegible]	11⅝-11⅞	15-15⅜	10¾-11	10⅞-11⅛	5⅞-6⅛	11-11½
One year	12¼-12⅜	10⅝-10¾	12⅞-19⅛	7½-7⅝	5⅝-5¾	6⅝-3⅞	12-12¼	15¾-13¼	11¼-11½	11⅞-11⅞	6⅛-6⅞	11-11½

Asian $ (closing rates in Singapore): Short-term 8¼-8⅜ per cent; seven days 8⅞-8⅞ per cent; one month 8⅞-9 per cent; three months 9⅛-9⅞ per cent; six months 9⅞-10⅛ per cent; one year 10⅜-10⅝ per cent. Long-term Eurodollars: two years 11⅝-11⅞ per cent; three years 11⅞-12⅛ per cent; four years 12¼-12⅜ per cent; five years 12⅜-12⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Firmer trend

Prices were mostly firmer in the London International Financial Futures Exchange yesterday, following a weaker dollar and a fall in U.S. and UK cash rates. Sterling based instruments also took heart from renewed optimism over the possibility of a cut in UK clearing bank base rates ahead of next week's Budget, and sterling's improvement.

Much of the day's movement took place in early trading with most prices confined to a fairly narrow range thereafter. The long gilt for June delivery opened at 105-23, up from Friday's settlement of 105-02 and touched a high of 105 25 before finishing at 105-19. Three-month sterling deposits for the same month rose to a high of 88.49 from an opening of 87.98 and finished at 88.47 up from 87.76 previously.

Euro-dollar prices were buoyed by a corresponding fall in cash prices including a decline in the overnight Federal funds rate to 8¼ per cent. Opening levels were influenced by rises in Chicago on Friday and also by recent sharp falls as renewed demand developed at lower levels. However, the firmer trend was not sustained and the June price slipped back to finish at 89.49, down from a high of 89.59 and an opening level of 89.56 but still up from Friday's close of 89.33.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.72	90.72	90.62	90.42
June	89.49	89.59	89.48	89.33
Sept	89.03	89.03	88.92	88.79
Dec	88.57	88.70	88.57	88.43
March	88.31	—	—	88.15

Est volume 6,770 (8,756)
Previous day's open int 15,188 (15,676)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 234 (190)
Previous day's open int 1,629 (1,646)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-25	69-28	69-15	69-13
June	68-25	69-01	68-23	68-18

Est volume 1,283 (1,919)
Previous day's open int 2,698 (2,429)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) $e per £

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	—	66-17	66-15	66-17
Sept	—	—	—	66-02

MONEY MARKETS

UK rates fall as sterling improves

Interest rates fell in London yesterday as sterling reacted favourably to a fall in the U.S. dollar. This gave rise to increased optimism over the possibility of a cut in clearing bank base rates to coincide with next week's UK Budget. However some sectors of the market were more cautious, suggesting that oil prices may decline over the next few months and so put renewed pressure on sterling. In addition it would appear to be ill advised to assume that the dollar had no further upward potential.

UK clearing banks base lending rate 14 per cent since January 28

Initial reaction to the Bank of England's offer of early help, subsequently declined by discount houses, was not necessarily a reflection of growing market optimism on interest rates but arose since a bulk of the shortage appeared to be in the interbank market, and many houses did not feel obliged to sell paper during the early part of the day. Three-month interbank money was quoted at 13¼-13⁵⁄₁₆ per cent down from 13½-13⅞ per cent while three-month eligible bank bills were bid at 13¼ per cent compared with 13⅝ per cent. Overnight interbank money traded between a high of 16½ per cent and a low of 14 per cent.

The Bank of England forecast a shortage of around £550m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £801m and the unwinding of previous sale and repurchase agreements a further £375m. In addition banks brought forward balance £100m below target. These were partly offset by Exchequer transactions which added £425m and a fall in the note circulation of £310m.

To help alleviate the shortage the Bank offered an early round of assistance but this did not result in any help being given. The forecast was later revised to a shortage of around £600m and the Bank gave assistance in the morning of £152m comprising purchases of £5m of eligible bank bills in band 1 (up to 14 days) at 13¾ per cent and sale and repurchase agreements on £147m of bills at 13¾ per cent, for resale in equal amounts on April 1 and April 4.

The forecast was further revised to a shortage of around £650m, before taking into account the early help and the Bank gave additional assistance of £184m in the afternoon, comprising purchases of £22m of eligible bank bills in band 1 at 13¾ per cent and £46m in band 2 (15-33 days) at 13¾ per cent. It also arranged sale and repurchase agreements on £116m of bills at 13¾ per cent, unwinding in equal amounts on April 1 and April 4. Late assistance came to £180m, making a total of £516m.

MONEY RATES

March 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10¼	8⅝-2⅝	7⅜-7½	6.34370	13¾-13⅛	7.70	14⅜-14⅝
One month	6.30-6.50	10⅛-10⅛	5⅛-5⅜	7¼-7⅜	0.33126	15¾-13⅛	10⅝-10⅞	14½-14¾
Two months	6.30-6.50	10⅛-10¼	—	—	—	—	—	14½-14¾
Three months	6.45-6.08	10⅛-10¼	3¾-5⅞	7⅛-7⅜	6.34373	16-10⅝	10⅞-11⅛	14½-14⅝
Six months	6.70-6.90	10⅛-10⅛	—	7½-7⅝	—	—	11-11¼	14⅝-14⅛
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	0⅞	—	—	—	—

LONDON MONEY RATES

Mar. 11 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Discount Houses Deposit and Bill Rates

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Finance IV: Average Rate of interest period February 6 to March 5 1985 (inclusive): 13.683 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11¼ per cent. Treasury Bills: Average tender rates of discount 13.3716 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13¼ per cent; three-six months 13¼ per cent; six-nine months 13¼ per cent; nine-12 months 13 per cent. Under £100,000 12 per cent from March 5. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 9 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	7.85
Two month	8.35
Three month	8.47
Six month	8.78

Treasury Bonds

One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. March 11)

3 months U.S. dollars

bid 9 3/16	offer 9 5/16

6 months U.S. dollars

bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 11, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.5344
Algeria	Dinar	(A) 3.70
Andorra	French Franc	11.1473
	Spanish Peseta	201.83
Angola	Kwanza	(CM) 31.8190
Antigua	E. Caribbean $	2.92
[illegible]	[illegible]	[illegible]
Greenland	Danish Kroner	12.9850
Grenada	E. Caribbean $	2.92
Guadaloupe	Local Franc	11.1475
Guam	U.S. $	1.0890
Guatemala	Quetzal	1.0890
Guinea	Syli	28.0786
Guinea-Bissau	Peso	95.6082
[illegible]	[illegible]	[illegible]
Peru	Sol	exc(A)8,048.74
Philippines	Philippine Peso	18.85
Pitcairn Islands	£ Sterling	—
	New Zealand $	8.2850
Poland	Zloty	149.30
Portugal	Portuguese Escudo	201.50
[illegible]	[illegible]	[illegible]

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 11.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	100	101¾	102¼	+0⅞	+0⅝	11.85
Austria Rep 13⅝ 92	100	106⅝	107⅛	+0⅞	−0¼	12.10
Bank Of Tokyo 12⅝ 92	100	98¼	98¾	+0½	−0½	12.78
Bank of Tokyo 13⅝ 91	125	105	105½	+1¼	+0⅜	12.34
BP Capital 11⅛ 92	150	94⅜	95⅛	+0¼	−1	12.31
Caisse Nat Tele 13¾ 01	100	104⅞	105⅜	−0½	+0⅛	12.40
Canadian Pac 12½ 99	75	100⅞	101⅝	+0⅝	+0½	12.30
CBS Inc 11¾ 92	100	94⅝	95⅛	+1½	−1	12.42
Chevron U.S.A. 12¼ 89	600	100½	101	+1⅛	+1¼	11.98
Credanstalt 13½ 91	100	101⅞	102⅜	0	+0⅜	12.58
Denmark Kingdom 13 91	100	101	101½	+0½	+0½	12.67
Denmark Kingdom 13¼ 91	100	102⅜	102⅞	+0¾	+0⅛	12.59
Denmark 13⅞ 29 XW	100	104¾	105¼	+1¼	+0⅝	11.84
Denmark Kingdom 14 91	100	105	105⅛	+0⅞	+0½	12.47
Statoil 13½ 89	100	105¼	105¾	+0⅞	+0¼	11.77
Sumitomo Fin 12¾ 91	100	101⅝	101⅞	+1⅜	+1½	12.33
Swed Exp Cred 12¾ 89XW	100	100½	101	+0⅝	+0⅝	12.47
Sweden Kingdom 11½ 90	200	95	95½	+1¼	+0½	11.97
Sweden Kingdom 11¾ 94	100	96½	97	+0¾	0	12.32
Texaco Capital 12⅛ 87	300	102	102½	+0⅝	−0⅜	11.60
Texaco Capital 13½ 29	200	103⅝	104½	+0¼	−0⅛	12.25
Toronto Dom Bk 12½ 28	100	† 100½	101½	+0¼	0	12.07
Walt Disney Pro 12½ 87	100	102	102½	+0⅝	−0⅛	11.38
Weyerhaeuser 12¼ 87	150	100¼	100¾	−0⅛	−0½	11.94
World Bank 12¼ 94	150	99½	100	+1½	+0⅜	12.27
World Bank 12⅞ 94	200	102⅛	102⅝	+0⅝	+0⅜	12.40

Average price change On day +0½ on week +0⅛

SWISS FRANC STRAIGHTS

OVER-THE-COUNTER

Continued from Page 32

Indices

NEW YORK-DOW JONES

	March 11	March 8	March 7	March 6	March 5	March 4	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	1266.83*	1,269.66	1,271.53	1,280.37	1,291.65	1,289.53	1295.38 (1/3/85)	1086.57 (24/7)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	610.72*	615.37	618.58	622.23	628.43	630.20	635.38 (1/3/85)	444.03 (25/7)	635.38 (1/3/85)	12.32 (8/7/32)
Utilities	141.52*	147.77	140.13	148.38	148.10	148.03	151.18 (13/2/85)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol		98m	112m	116m	116m	182m	—	—	—	—

	Mar 1	Feb 22	Feb 15	Year Ago (Approx)
Ind Div Yield %	4.69	4.77	4.73	4.71

STANDARD AND POORS

	March 11	March 8	March 7	March 6	March 5	March 4	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	198.78*	200.25	200.76	202.23	204.14	203.80	206.15 (1/3/85)	187.74 (24/7)	205.15 (1/3/85)	3.62 (30/6/32)
Composite	178.65*	179.10	178.51	180.65	182.23	182.86	183.35 (13/2/85)	147.82 (24/7)	183.35 (13/2/85)	4.40 (1/6/32)

	Mar 6	Feb 27	Feb 20	Year Ago (Approx)
Ind div yield %	3.83	3.82	3.81	4.89
Ind. P/E Ratio	11.24	11.33	11.34	11.81
Long Gov Bond Yield	11.84	11.83	11.45	12.15

N.Y.S.E ALL COMMON

March 11	March 8	March 7	March 6	1984-85 High	1984-85 Low
103.52*	103.82	104.07	106.64	106.08 (13/2/85)	85.13 (24/7)

RISES AND FALLS

	March 8	March 7	March 6
Issues traded	1,980	1,977	1,990
Rises	622	570	564
Falls	857	959	969
Unchanged	481	440	457

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Pet.	3,659,500	49⅜	−½	Pac. Gas El.	1,232,700	17⅝	−⅛
Fin. Cp. Am.	2,765,400	6½	+½	ATT	1,208,900	21½	—
Am. Nat. Rcs.	1,806,400	62⅛	−½	U.S. Tobacco	1,197,800	37⅝	−⅛
Mid-So. Utl.	1,732,400	13⅛	—	Chrysler	1,105,100	32⅞	+⅛
IBM	1,722,900	129⅝	−½	Texas Oil & Gas	984,700	18⅝	+⅛

TORONTO	March 11	March 8	March 7	March 6	1984-85 High	1984-85 Low
Metals & Minls	2,043.3*	2,057.9	2,065.2	2,066.7	2524.4 (12/1/84)	1641.2 (25/7)
Composite	2,599.6*	2,613.8	2,618.2	2,643.9	2647.9 (5/3/85)	2079.7 (24/7)
MONTREAL Portfolio	130.18*	130.73	130.99	132.38	132.77 (5/3/85)	100.36 (24/8)

* Indicates pre-close figure

	Mar. 11	Mar. 8	Mar. 7	Mar. 6	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1/1/80)	795.8	792.1	787.7	787.7	798.8 (20/2/85)	546.0 (18/8)
Metals & Minls. (1/1/80)	469.2	473.8	481.1	481.4	587.4 (5/1/84)	395.8 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	73.13	72.94	72.96	71.20	74.96 (28/2/85)	53.39 (15/8)
BELGIUM						
Brussels SE (1/1/80)	2302.78	2295.54	9500.65	2308.25	—	—
DENMARK						
Copenhagen SE (3/1/83)	176.94	176.49	178.92	171.78	225.2 (20/1/84)	158.44 (8/1/85)
FRANCE						
CAC General (31/12/80)	207.2	208.8	205.8	205.9	207.2 (11/3/85)	156.6 (10/1/84)
Ind Tendance (28/12/84)	112.8	111.2	111.4	111.1	112.4 (11/3/85)	100.0 (28/12/8
GERMANY						
FAZ Aktien (31/12/58)	417.7	419.82	415.08	417.60	417.72 (11/3/85)	317.17 (25/7)
Commerzbank (1/12/53)	1206.3	1205.1	1198.6	1201.0	1207.8 (4/3/85)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1388.11	1396.27	1389.14	1383.00	1485.17 (19/2/85)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	276.00	278.96	279.10	272.59	288.71 (20/2/85)	192.08 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	12263.8	12347.0	12414.8	12490.7	12509.8 (4/3/85)	9703.36 (23/7)
Tokyo SE New (4/1/68)	973.96	981.81	982.80	990.59	990.59 (6/3/85)	750.49 (4/1/84)
NETHERLANDS						
ANP-CBS General (1970)	208.0	205.8	205.8	206.0	208.0 (6/3/85)	146.0 (25/7)
ANP-CBS Indust (1970)	165.5	163.4	162.5	153.0	165.7 (21/2/85)	112.7 (16/6)
NORWAY						
Oslo SE (4/1/83)	322.93	331.26	318.71	317.19	345.8 (8/2/85)	221.67 (4/1/84)
SINGAPORE						
Straits Times (1966)	861.58	849.62	852.65	848.72	1071.9 (8/2/84)	764.4 (18/1/85)
SOUTH AFRICA						
Gold (1958)	(u)	887.2	885.1	(u)	1089.6 (15/11)	780.1 (24/1/85)
Industrial (1958)	(u)	847.7	847.2	(u)	1105.3 (26/3/84)	846.8 (5/3/85)
SPAIN						
Madrid SE (28/12/84)	112.19	111.17	111.15	112.17	117.41 (4/2/85)	100.00 (28/12/8
SWEDEN						
Jacobson & P (11/58)	1412.2	1424.0	1429.96	1443.79	1594.5 (6/2/85)	1302.96 (22/11
SWITZERLAND						
Swiss BankCpn. (31/12/58)	428.6	425.8	427.0	429.5	429.6 (5/3/85)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	—	198.6	196.9	196.9	198.1 (4/3/85)	162.2 (14/12)

** Saturday March 9: Japan Nikkei-Dow (c). TSE (c).

Base value of all indices are 100 except Australian All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c-Closed. u Unavailable.

CAPITAL MARKETS

Better terms trigger $1.22bn floating rate note bonanza

BY MAGGIE URRY IN LONDON

SUDDENLY everyone wanted to launch Eurodollar floating rate nnte issues yesterday. In all, six came to the market raising a total of $1.22bn. Many of the deals had been discussed fnr some time and were triggered yesterday by better market conditions, including falls in London interbank rates.

Investors were offered a variety nf names, structures and terms, but all the deals were taking advantage of the finer margins available in the floater market.

The largest deal was for Malaysia, a $600m 30-year issue under the sole lead management nf Credit Suisse First Boston. Investors have put options after 15, 20 and 25 years. The deal pays interest six-monthly at the London inter-bank mean rate (Limean), refixed monthly – the "mis-match" formula popular at present while the yield curve is so steep. Front-end fees total 47 basis points and the bonds traded around 99.60.

Malaysia's previous FRN issue, last October, paid interest at ⅛ per cent over six month London interbank offered rate (Libor). The lower cost to the borrower of the new note reflects its improved standing as well as more favourable market conditions.

Wells Fargo launched a $200m 15-year issue led by Salomnn Brothers. A monthly interest payment was chosen at the rate of ⅛ per cent over Libor. This gives investors a lower return while the yield curve is rising, but avoids the risk involved in the mismatch formula. The extra administrative cost of paying monthly was thought to be surprisingly low.

Total commissions on the deal are 43 basis points, and dealers reported the bonds nffered at 99.62.

UBS Securities launched a $125m 10-year issue for Aumar, the Spanish motorway company, which is guaranteed by Spain. There is an additional $50m tap, to be sold over the next six months. The deal uses a straight forward six monthly fixing and pays of interest at 1/16 per cent over Libor. Front-end fees are 35 basis points and the bonds were trading just within that discount.

Morgan Stanley conceived a novel structure for a $100m, 10-year deal for National Bank of Canada. The coupon will be ⅜ per cent over three-month Libor for the first two years, with a maximum of 12 per cent. Thereafter the margin will be 3/16 per cent with no maximum coupon.

Syndicate managers were puzzled as to the purpose of the formula. The 12 per cent cap, even though it applies only for two years, did not seem popular. The issue traded just within its 20 basis point gross commissions.

CSFB was also sole lead manager for a $100m, 15-year issue for Bangkok Bank (BBL). This also uses the mismatch formula, paying six-month Libor, refixed monthly. Fees total 56 basis points, and sales were reported around the 99.75 level. Investors have put options after 10 and 12 years.

CSFB completed its hat-trick with another $100m this time Banque Bruxelles Lambert. This issue has an eight-year life and pays six-month Libid, refixed monthly. Fees are 35 basis points, but the bonds were trading well inside that bid at 99.90.

BHF Bank bond average		
March 11		Previous
99.998		99.940
High	1984/85	Low
103.042		98.056

As well as all the action in floaters, a couple of convertible issues appeared. Goldman Sachs led a 15-year $100m issue for St Paul Companies, the U.S. financial services business. This proved attractive and was trading at a discount around ⅜ point to its par issue price.

Investors can put the issue at 115 per cent nf par after five years, giving a yield nf 10.10 per cent to the put, which places a floor under the bonds' value. The indicated coupon is 7½ per cent and conversion premium 20–22 per cent.

Daiwa Europe launched a $50m, 15-year convertible for Toshiba Ceramics, with the usual 5 per cent premium and 3 per cent coupon indicated.

There were nn straight bonds issued, although in the secondary market such issues were around a point better yesterday following the strength of the New York market on Friday.

In the Swiss franc market SBC launched a two-tranche issue for Electricité de France totalling SwFr 200m. One SwFr 100m tranche is of floating rate notes with a 12-year life and paying interest at ⅛ per cent over six month Libor.

The second is a straight issue with a 10 year life. The pricing looked on the tight side, at a 5⅝ per cent coupon and 99¾ issue price giving a yield of 5.91 per cent, just under the magic 6 per cent level.

In secondary market trading Swiss franc foreign bonds fell by ¼ to ½ point, in low turnover.

CPC's SwFr 200m 60 year issue, paying a 5⅝ per cent coupon for the first 10 years, started trading yesterday, closing at 97 compared to its par issue price.

The West German foreign bond market improved by ⅜ to ½ point, helped by New York and the weaker dollar. Traders are still nervous, though, about a possible rise in interest rates at the Bundesbank council meeting on Thursday.

Morgan Guaranty launched a European currency unit 135m issue for ENI, the Italian oil and gas company. This forms part of the renegotiation of the terms of its Ecu 450m loan, arranged a year ago. Bankers were allowed to opt either for a seven-year loan paying ⅜ per cent over three-month Libor, or for a FRN paying a ⅛ per cent over three-month Libor, or for a FRN paying a ⅛ per cent margin. Half the Ecu 270m, which formed the seven-year portion of the loan, is thus being switched into this FRN. Front end fees are 70 basis points.

The European Investment Bank launched the first Eurobond denominated in Danish krone. Strong demand allowed the deal to be increased from DKr 200m to DKr 250m. The 10-year bonds pay a 12 per cent coupon and issue price is 99. Fees total 2 per cent, but the bonds were trading close to 99. It is thought that foreign investors like the currency, currently nne of the stronger members of the European Monetary System.

Beatrice to arrange $1.3bn credit facility

BY OUR EUROMARKETS STAFF

BEATRICE Companies, the U.S. consumer group, is arranging a $1.3bn commercial paper back-up and note placement facility. The three-year deal is being arranged by Bank of America with Salomnn Brothers as co-arranger.

The facility will replaced existing credit lines and give Beatrice access to the short-term Euromarkets. It is also expected to support the company's commercial paper issued in connection with its acquisition of Esmark.

The facility will allow Beatrice to issue notes with a life of up to six months. Banks in the deal will receive an annual 10 basis point facility fee plus a margin over London interbank offered rate (Libor), of 20 basis points on drawings under the revolving credit option.

● Salomon Brothers has launched a $500m five-year facility for Commonwealth Bank of Australia to issue Euronotes or certificates of deposit. The facility will be underwritten to the extent of $100m through a standby arrangement, for which 10 banks are being gathered. They will receive a 1/16 per cent facility fee and will buy unsold notes or CDs at a yield equal to Libor.